



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA HYDRO  
GENERAL RATE APPLICATION  
2014/15 AND 2015/16

Before Board Panel:

- Regis Gosselin - Board Chairperson
- Marilyn Kapitany - Board Member
- Richard Bel - Board Member
- Hugh Grant - Board Member

HELD AT:

Public Utilities Board  
400, 330 Portage Avenue  
Winnipeg, Manitoba

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Pages 2925 to 3221

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1 --- Upon commencing at 8:58 a.m.

2

3 THE CHAIRPERSON: Good morning,  
4 everyone. Before we start the regular proceedings,  
5 I'll turn the microphone over to Mr. Hombach, please.

6 MR. SVEN HOMBACH: Good morning, Mr.  
7 Chairman. In light of your comment, my comments will  
8 finish before 9:00 so that we can surely start early.  
9 There's been a slight change of order of examination  
10 today in discussion with counsel.

11 I can advise everybody in the room that  
12 we've agreed that Mr. Gange, on behalf of GAC, will  
13 examine first, followed by Mr. Hacault on behalf of  
14 MIPUG, followed by Mr. Orle on behalf of MKO, Mr.  
15 Williams on behalf of the Coalition, and Mr. Masi on  
16 behalf of MMF. Thank you.

17 THE CHAIRPERSON: Thank you, Mr.  
18 Hombach. Good morning, Mr. Gange. Over to you.

19

20 MANITOBA HYDRO PANEL 6 - LOAD, DSM, AND RATES RESUMED:

21 GREG BARNLUND, Previously Sworn

22 LOIS MORRISON, Previously Sworn

23 PAUL CHARD, Previously Sworn

24 COLLEEN GALBRAITH, Previously Sworn

25 LLOYD KUCZEK, Previously Sworn

1 CROSS-EXAMINATION BY MR. WILLIAM GANGE:

2 MR. WILLIAM GANGE: Good morning, sir.  
3 Diana, if you could put up slide 20 from Exhibit 67.  
4 Mr. Kuczek, with respect to DSM, this chart shows that  
5 as of the present date, DSM has produced extra energy  
6 for the system equivalent to the Brandon thermal plant.

7 Is that correct, sir?

8 MR. LLOYD KUCZEK: That's correct.

9 MR. WILLIAM GANGE: And that by year-  
10 end '18, that energy will be equivalent to Wus --  
11 Brandon thermal and Wuskwatim, correct, sir?

12 MR. LLOYD KUCZEK: Correct.

13 MR. WILLIAM GANGE: And that by the  
14 year about '27 the savings from DSM will be equivalent  
15 to Brandon, Wuskwatim, and -- and Keeyask just short  
16 400 gigawatts or 321 gigawatts short of Wuskwatim -- or  
17 pardon me, of -- of Keeyask.

18 Is that correct, sir?

19 MR. LLOYD KUCZEK: That's correct.

20 MR. WILLIAM GANGE: And so that the  
21 long-term average cost of energy produced by Brandon  
22 thermal would be -- have you got a rough figure for  
23 that?

24 MR. LLOYD KUCZEK: I don't, actually.

25 MR. WILLIAM GANGE: Wuskwatim, we've

1 heard that the long-term average cost would be between  
2 five (5) and seven (7) cents.

3 Do you recall hearing that, sir?

4 MR. LLOYD KUCZEK: I recall that, yes.

5 MR. WILLIAM GANGE: And Keeyask, our  
6 understanding is that it's somewhere north of seven (7)  
7 cents. Whether it's north of eight (8) cents, we're  
8 not sure.

9 We've had different -- but -- but  
10 anyways, in excess of seven (7) cents to produce that  
11 power?

12 MR. LLOYD KUCZEK: Correct.

13 MR. WILLIAM GANGE: Would you agree  
14 with me, sir, that the long-term DSM cost is about two  
15 point four (2.4) cents per kilowatt hour?

16 MR. LLOYD KUCZEK: That's the utility -  
17 - utility cost, but you -- really you should consider  
18 the combined cost of the utility and the customer,  
19 because when it comes to new generation, the customer  
20 pays for that, as well, right --

21 MR. WILLIAM GANGE: Okay. And --

22 MR. LLOYD KUCZEK: -- through rates  
23 eventually, but at the end of the day, the customer  
24 pays for both.

25 MR. WILLIAM GANGE: And so two point

1 four (2.4) cents. And what would the customer cost be  
2 approximately?

3                   Would it double it and make it four  
4 point eight (4.8) cents?

5                   MR. LLOYD KUCZEK: We have some  
6 estimates, and I don't think it doubles it, but we --  
7 we haven't put a lot of in-depth analysis to what that  
8 would be. I think it could easily double it, you know,  
9 for example, codes. So we don't include anything in  
10 our estimates for the -- what the customer's paying for  
11 in terms of the energy savings associated with the  
12 codes, but there are substantial costs for the customer  
13 in implementing the -- the measures.

14                   It makes sense. But at that point, when  
15 you implement codes what happens is now the -- you've  
16 shifted from the -- the utility and the customer  
17 sharing in the costs to the customer totally paying for  
18 the costs.

19                   MR. WILLIAM GANGE: Yes. Would you  
20 also take into account the savings by the customer so  
21 that, for instance, if -- for instance, on that  
22 consumer codes cost, yes, there is an upfront cost, but  
23 there's also a saving to the consumer?

24                   And that's the whole purpose of DSM,  
25 correct, sir?

1 MR. LLOYD KUCZEK: That's correct.  
2 Now, what we have on the table shows the energy  
3 savings, but -- and when we're talking costs -- and  
4 these energy savings of 6,000 gigawatt hours includes a  
5 substantial portion related to codes. So when we're  
6 talking the cost and the cost of the utility, one has  
7 to be careful to recognize that a significant component  
8 of these gigawatt hours are related to codes, as well,  
9 right?

10 MR. WILLIAM GANGE: Yes.

11 MR. LLOYD KUCZEK: And you are right in  
12 terms of when a customer implements it. If the  
13 levelized resource cost is such that the benefits are  
14 greater than the cost, the customer is better off  
15 anyways. So I -- I have no problem with that. I'm  
16 just trying to make sure that we all understand the --  
17 when we're comparing apples and apples -- or apples to  
18 oranges.

19 MR. WILLIAM GANGE: Sure. But if I use  
20 the -- the doubling cost, that takes me to four point  
21 eight (4.8) -- let me even say five (5) cents per  
22 kilowatt hour to achieve that -- that -- the  
23 equivalency of Brandon, Wuskwatim, and Keeyask.

24 Is that -- is that a fair -- and -- and  
25 I recognize, we're -- I'm not dealing in -- in

1 specifics here. We're using broad bru -- brush strokes  
2 here.

3 But would it be fair for me to use a --  
4 a number of five (5) cents per kilowatt hour?

5 MR. LLOYD KUCZEK: I'll go that -- I'll  
6 go along with that for the line of questioning.

7 MR. WILLIAM GANGE: And -- and the end  
8 result that one can take away from that is that the DSM  
9 savings over that period of time have resulted in the -  
10 - the generation of -- of excess energy equivalent to  
11 Brandon, Wuskwatim, and Keeyask at a lesser cost to the  
12 -- to the Corporation and to the consumer?

13 MR. LLOYD KUCZEK: I would agree that  
14 the -- the overall cost, whether the utility pays or  
15 the customer pays, is -- is lower through the Energy  
16 Conservation Initiatives than new generation.

17 MR. WILLIAM GANGE: Thank you. With  
18 respect to the production of electricity, we heard from  
19 Mr. Cormie where he said that -- that due to drought,  
20 or due to significant rainfall amounts, that the  
21 fluctuation of power that can be generated from dams  
22 may be plus or minus 50 percent depending upon the  
23 year.

24 Do you recall him saying that, sir?

25 MR. LLOYD KUCZEK: I don't recall him -

1 - hearing it, but there is a substantial variation,  
2 yes.

3 MR. WILLIAM GANGE: Yeah, that's not a  
4 new concept to you. And he also testified, to -- to  
5 our recollection, that wind would be plus or minus 15  
6 percent depending upon how windy the year is?

7 MR. LLOYD KUCZEK: Okay.

8 MR. WILLIAM GANGE: The -- the extra  
9 power that's available to the system as a result of --  
10 of DSM though, you'd agree with me on this, sir, it's  
11 much more predictable?

12 MR. LLOYD KUCZEK: They are different  
13 animals. You know, like -- and just to be fair, when I  
14 put the slide up, this just shows the firm energy that  
15 comes from new generation. It doesn't take into  
16 account all the non-firm, and that has value as well  
17 too. So we just got to be careful in general terms.

18 But at a high level, even if you take  
19 all that into account, and if you look at what we have  
20 achieved through co -- or energy conservation programs,  
21 I do believe it's lower than the cost of new  
22 generation. Now, having said that, that doesn't mean  
23 that that would be the case in the future either. It  
24 depends on how much you spend on DSM and which  
25 opportunities you pursue, because there are DSM

1 opportunities which are more costly than new  
2 generation.

3 MR. WILLIAM GANGE: I see. So slide  
4 20, what we're dealing with there is comparing, to use  
5 your analogy, apple and apples.

6 We're comparing the firm energy  
7 generated by the new construction versus the firm  
8 energy that's -- that is generated by virtue of being  
9 freed up through DSM, correct, sir?

10 MR. LLOYD KUCZEK: That's correct.

11 MR. WILLIAM GANGE: Okay. Thank you.

12

13 (BRIEF PAUSE)

14

15 MR. WILLIAM GANGE: And you saw that  
16 chart that showed that Manitoba's Hyd -- Manitoba  
17 Hydro's income was negatively affected by virtue of --  
18 of DSM spending?

19 MR. LLOYD KUCZEK: I did see that chart  
20 with much interest, yes.

21 MR. WILLIAM GANGE: Yes. And that  
22 chart -- you'd agree with me on this, I -- I believe,  
23 sir, that chart is showing the -- the effect upon  
24 Manitoba Hydro because of the displacement of sales on  
25 -- on the local market at seven (7) cents as opposed to

1 opportunity sales to the United States at three (3)  
2 cents, correct, sir?

3 MR. LLOYD KUCZEK: I didn't ask if that  
4 was the case.

5 MR. WILLIAM GANGE: Okay. Well, you  
6 can take my word for it. That -- that was -- that was  
7 the explanation that was given by Mr. Cormie. And I  
8 understand you weren't here during that -- that time  
9 period, but Mr. Cormie was trying to explain how that  
10 could have happened. And he explained that it was this  
11 anomaly of -- of selling power at the seven (7) cent  
12 rate versus the opportunity rate of three (3) cents.

13 So with that --

14 THE CHAIRPERSON: Sorry, Mr. Gange.  
15 Would you have a reference so we could pull it up on  
16 the screen to --

17 MR. WILLIAM GANGE: It was in Volume I  
18 --

19 MR. LLOYD KUCZEK: But I would say I  
20 think the expert isn't Mr. Cormie or myself. It's  
21 really the people that undertook the analysis, and that  
22 was Ms. Carriere.

23

24 CONTINUED BY MR. WILLIAM GANGE:

25 MR. WILLIAM GANGE: And -- and we did

1 ask Ms. Carriere that, and -- and I believe that Ms.  
2 Carriere confirmed that that's why -- why that came  
3 about.

4 Yes, there's the chart, Mr. Chair.

5 So that when -- when we had the  
6 discussion with Mr. Rainkie and Mr. Cormie and -- and  
7 then later with Ms. Carriere, we referred to this chart  
8 showing how the -- the retained earnings would be  
9 affected by virtue of -- of greater DSM. So that --  
10 that's just the background for this question.

11 The one (1) thing that that does not  
12 take into account, though, sir, you'd agree with me on  
13 this, that it doesn't take into account the savings to  
14 the consumers by virtue of the -- the application of  
15 greater DSM.

16 MR. LLOYD KUCZEK: Correct.

17 MR. WILLIAM GANGE: That's just dealing  
18 with the retained earnings of Manitoba Hydro, so that -  
19 - that one would expect that if that much DSM was being  
20 taken up by consumers, that they would have had a  
21 corresponding benefit by virtue of not paying greater  
22 hydro bills.

23 MR. LLOYD KUCZEK: And the -- the level  
24 that they would save, I'm not sure how that would  
25 equate to this. But they certainly would save some

1 dollars related to it, yes.

2 MR. WILLIAM GANGE: Thank you. If we  
3 could go back to slide 20, this slide is referring to  
4 the long implementation time frames, sir.

5 And you mentioned that the Power Smart  
6 Plan is now a one (1) year project?

7 MR. LLOYD KUCZEK: It's not really a  
8 one (1) year project. The -- our Power Smart planning  
9 initiative and strategy involves long-term thinking,  
10 and it's really dependent -- depends on these specific  
11 opportunities. Some could be three (3) years, some  
12 could be fifteen (15) years.

13 But when the staff developed that one  
14 (1) year plan, it was really pulling out a slice, a one  
15 (1) year slice, out of their long-term thinking and  
16 plan. So although it may look like a one (1) year  
17 plan, it really isn't from our perspective.

18 MR. WILLIAM GANGE: Right, so that the  
19 government direction is for you to release a -- a one  
20 (1) year plan on an annual basis.

21 Do -- do I have that correct?

22 MR. LLOYD KUCZEK: Well, we've  
23 consulted with them three (3) years to develop an  
24 Energy Efficiency Plan in accordance with the Act. And  
25 the first two (2) years, they preferred a three (3)

1 year plan, and then this last year, they preferred a  
2 one (1) year plan.

3 But the -- the -- their focus is more on  
4 the shorter terms in terms of what we're going to  
5 achieve. And our focus is more on the bigger picture  
6 in terms of what we're going to achieve.

7 MR. WILLIAM GANGE: Right. So your  
8 department, though, and the department under your  
9 direction and Ms. Morrison's direction and -- is that  
10 your -- your department is continuing to have a much  
11 longer planning process because this is -- it's a much  
12 longer horizon than one (1) year, isn't it, sir?

13 MR. LLOYD KUCZEK: Yes, and that speaks  
14 to the point yesterday we talked about, too, in terms  
15 of how we evaluate DSM. If we looked at it from the  
16 short-term perspective and took into account the short-  
17 term benefits to Hydro, we likely wouldn't be doing any  
18 DSM from a utility perspective.

19 MR. WILLIAM GANGE: Right.

20 MR. LLOYD KUCZEK: That's not how we  
21 think.

22 MR. WILLIAM GANGE: Right. If we could  
23 go to page 19, just a couple of questions on -- on  
24 this, Mr. Kuczek. This mentions that, in order to  
25 obtain that 6,286 gigawatt hours of energy, DSM is

1 expected to incur costs of \$1.3 billion.

2 Do I have that correct?

3 MR. LLOYD KUCZEK: It's not to -- it's  
4 misleading somewhat, and --

5 MR. WILLIAM GANGE: I'm misleading?

6 MR. LLOYD KUCZEK: No, you're not  
7 misleading.

8 MR. WILLIAM GANGE: Shocking.

9 MR. LLOYD KUCZEK: I -- I wanted to  
10 include another slide, but we had so many slides. But  
11 it's -- it's worth explaining this, because I think  
12 everybody should know this.

13 So what we include in our plan is the --  
14 what we expect to happen in the future due to codes and  
15 standards, plus our energy -- or incentive-based  
16 programs. So the dollars are primarily associated with  
17 the incentive-based programs. Codes and standards that  
18 we have in the plan are just coming into effect because  
19 of what we did in the past.

20 So as the building code changed, and  
21 buildings change and get built, they -- they come into  
22 play. So if you stopped today investing in DSM, and if  
23 I had my slide -- I do have it here, but if I had it  
24 up, you would see the green continuing into the future,  
25 and just to give you an idea -- maybe I don't have it

1 readily available.

2

3

(BRIEF PAUSE)

4

5

MR. LLOYD KUCZEK: You would achieve  
6 eighteen hundred (1,800) of that gigawatt hours out of  
7 that six thousand (6,000) still, through just codes and  
8 standards. Now, we -- we also plan to invest in codes  
9 and standards as we move forward, so additional savings  
10 might happen.

11

But so when you're looking at the one  
12 (1) year plan, and you in -- so we'll claim -- say the  
13 2015, we're -- we're reporting what we're going to  
14 achieve in that year, but what we're not reporting is  
15 what we might achieve through codes and standards  
16 because it's going to happen in the distant future.  
17 And it takes years to actually -- to actually make  
18 changes happen, so you don't know what year it's going  
19 to happen, but...

20

MR. WILLIAM GANGE: Right. And you've  
21 got some -- some slides later on in this presentation  
22 that I intend to -- to ask a couple of questions on  
23 about codes and standards, so. But as I understand it,  
24 this chart, though, is saying that -- that the cost of  
25 the DSM, in order to achieve that 6,286 gigawatt hours,

1 is estimated to be \$1.3 billion.

2 Is -- is --

3 MR. LLOYD KUCZEK: Right, but --

4 MR. WILLIAM GANGE: -- that part is  
5 accurate, is it not?

6 MR. LLOYD KUCZEK: The one point three  
7 (1.3) is the investment that we're planning to make.  
8 It's primary -- primarily related to the investment  
9 programs, though.

10 MR. WILLIAM GANGE: Right, okay. Fine.

11 MR. LLOYD KUCZEK: Those programs.

12 MR. WILLIAM GANGE: Oh, I see, but  
13 you're saying that -- that of that six thousand, two  
14 hundred and eight-six (6,286), a portion of it is  
15 coming from codes and standards in addition to this,  
16 correct, sir?

17 MR. LLOYD KUCZEK: Yeah, there's about  
18 1,800 gigawatt hours that are related to codes and  
19 standards.

20 MR. WILLIAM GANGE: Okay. The -- can -  
21 - can I take away from that, sir, that looking at this  
22 with -- with codes and standards, and -- and with the  
23 programs that you've put into place and plan to put  
24 into place, that -- that the system itself is expected  
25 to benefit by, as we saw previously, the total amount

1 generated by the Brandon thermal plant, Wuskwatim, and  
2 Keeyask?

3 MR. LLOYD KUCZEK: It's in the same  
4 range.

5 MR. WILLIAM GANGE: Right.

6 MR. LLOYD KUCZEK: Right.

7 MR. WILLIAM GANGE: And -- and those  
8 savings are created at a -- at -- well, the -- the cost  
9 of Keeyask is what, \$6 billion? Something like that?

10 MR. LLOYD KUCZEK: Six point five (6.5)  
11 seems to ring a bell.

12 MR. WILLIAM GANGE: Six point five  
13 (6.5)? So the DSM -- your department can trumpet  
14 itself by saying that you're creating the same amount  
15 of electricity as those -- those three (3) projects for  
16 about 20 percent of the cost of Keeyask alone.

17 MR. LLOYD KUCZEK: Well, we really  
18 don't look at it that way.

19 MR. WILLIAM GANGE: I know you don't,  
20 but I'm -- I've got a -- an agenda here and --

21 MR. LLOYD KUCZEK: Right.

22 MR. WILLIAM GANGE: -- and certainly,  
23 from my perspective -- from the perspective of Green  
24 Action Centre, those numbers make sense, don't they,  
25 sir? I -- I know that -- that you're looking at it

1 from a different perspective, but those are the  
2 numbers.

3 MR. LLOYD KUCZEK: Those are the  
4 numbers, but --

5 MR. WILLIAM GANGE: Yeah.

6 MR. LLOYD KUCZEK: -- we have to be  
7 careful comparing apples and oranges.

8 MR. WILLIAM GANGE: Thank you, Mr.  
9 Kuczek. I -- I want to deal with the collaborative  
10 process. I think, Mr. Barnlund, I -- I'm going to  
11 address these at you.

12 First of all, sir, can you release or  
13 describe the cost-of-service matrix from the cost-of-  
14 service consultation that's -- that's been under --  
15 that's -- that's already underway?

16 MR. GREG BARNLUND: Certainly, Mr.  
17 Gange. Good morning, Board chair, panel members,  
18 Intervenors. For -- by way of background, Mr. Gange is  
19 referring to a stakeholder engagement process that  
20 Manitoba Hydro entered into with Intervenors in 2014 to  
21 review topics and issues associated with the  
22 Corporation's cost-of-service study.

23 There was a -- two (2) workshops that  
24 were held in the fall of 2014, where we basically had a  
25 roundtable session between ourselves, our own expert,

1 and Intervenor representatives and experts retained by  
2 the Intervenors to look at cost-of-service matters.

3           One (1) of the outcomes of that process  
4 was, at the request of Green Action, that we put  
5 together a matrix or a list of -- of topic areas with  
6 the alternatives that were discussed and some pros and  
7 cons, if you would, associated with each.

8           We have compiled that information, and  
9 we would like to share that information with parties in  
10 advance of a cost-of-service hearing this fall. So I  
11 think that it's a -- a matter of just some discussion  
12 in terms of the timing of our circulation of that  
13 material. And, you know, we'd be open to having some  
14 discussions in terms of what the appropriate timing  
15 would be for that.

16           MR. WILLIAM GANGE: I can advise you,  
17 Mr. Barnlund, that -- that Professor Miller has  
18 participated in that with Kelly Neufeld (phonetic), of  
19 -- of your office, and -- and has been extremely  
20 impressed by the material that's been produced, setting  
21 out the pros and cons of various positions, and that  
22 Professor Miller, for one, has seen that as an  
23 exceptionally useful process and -- and an  
24 exceptionally useful methodology to move the cost-of-  
25 service study along.

1                   And -- and so I -- I guess the -- the --  
2 what -- what we're wondering is, is -- is it possible  
3 for you to share that with this panel, this Board, at  
4 this -- for this hearing, to show how it is that --  
5 that these consultations can take place and -- and the  
6 benefit that can be achieved?

7                   MR. GREG BARNLUND:    I'd like to  
8 probably have an undertaking or take that under  
9 advisement in terms of the current state of that  
10 document and -- but we would endeavour to share that if  
11 it's -- if it's presentable.

12                  MR. WILLIAM GANGE:    Thank you.  That's  
13 -- that's acceptable to us.

14

15 --- UNDERTAKING NO. 59:       Manitoba Hydro to provide a  
16   list of cost-of-service  
17   topic areas with  
18   alternatives and pros and  
19   cons (Under advisement)

20

21 CONTINUED BY MR. WILLIAM GANGE:

22                  MR. WILLIAM GANGE:    Mr. Barnlund,  
23 you're aware that Mr. Colton's evidence urges the Board  
24 to order a collaborative process to consider the  
25 affordability issue.  You're aware of that, sir?

1 MR. LLOYD KUCZEK: Yes, sir, I am.

2 MR. WILLIAM GANGE: And he urges in his  
3 pre-filed testimony, and I'm pretty confident that  
4 tomorrow when he appears, he's going to be urging the  
5 Board to adopt a -- a made-in-Manitoba solution to be  
6 developed through a collaborative process. That's what  
7 I'm expecting.

8 If -- if I could go to page 505 of the  
9 transcript, Diana? And -- and if you could go down to  
10 the bottom of the page?

11 During Mr. Thomson's appearance, I asked  
12 him about the collaborative process to design an energy  
13 pro -- program to deal with energy pro -- poverty. Mr.  
14 Thomson indicated that Hydro would be interested in  
15 being involved in such a process.

16 Is that Hydro's position?

17 MR. GREG BARNLUND: Yes, it is. And I  
18 think that it's appropriate that I provide some context  
19 for that, too. Manitoba Hydro is certainly interested  
20 in enga -- in engaging in discussions with regards to  
21 this area, but recognizing what Manitoba Hydro is  
22 responsible for and the areas that Manitoba Hydro could  
23 reasonably address in terms of the issues of the plight  
24 of low income or lower income customers.

25 We have certain -- certain things under



1 the -- in the -- 2011, ordered -- took away  
2 conservation rights.

3                   You're aware of that, Mr. Barnlund?

4                   MR. GREG BARNLUND:   Previous orders of  
5 the Board had recommended, or directed, or suggested  
6 that the Utility create an inverted rate structure for  
7 residential customers.  And the purpose of an inverted  
8 rate structure is to induce a -- a more apparent price  
9 signal to customers in terms of their consumption of  
10 energy, and therefore, to be able to encourage more  
11 efficient energy use and conservation.

12                   As time passed, over the passage of  
13 about a year or two (2), as we had introduced an  
14 inversion, a slight inversion in the rate structure,  
15 there was some concern expressed by certain groups in  
16 terms of the impact on, certainly, rural electric  
17 heating customers.  And I think that was a -- an  
18 important consideration that the Utilities Board had in  
19 mind when we, again, went to more of a flat rate  
20 structure as opposed to an inverted rate structure.

21                   MR. WILLIAM GANGE:   Sure.  And you'd  
22 agree with me, sir, that conservation rates, or  
23 inverted rates, there was a consultation process that  
24 started by Manitoba Hydro a while ago, but then it  
25 stopped.  And -- and that consultation process isn't on

1 the table right now.

2 Is that correct, sir?

3 MR. GREG BARNLUND: Well, let me, I  
4 think, clarify, that we had begun discussions with  
5 Intervenors, I think, probably a year ago. And at this  
6 point in time, we haven't advanced those discussions  
7 further, but we certainly intend to. And it's a matter  
8 of timing of -- of a number of issues that the Utility  
9 and the Intervenors and Utilities Board are currently  
10 dealing with.

11 So if I can assist the Board in this,  
12 our -- our immediate priority, I believe, once we clear  
13 this general rate application, is to be able to deal  
14 with matters associated with our prospective cost-of-  
15 service study. And we're also eager to implement time  
16 of use rates for general service large customers.

17 So those two (2) initiatives have been  
18 underway and pending since probably the 2012 general  
19 rate application. We'd certainly be open to having  
20 discussions with regards to conservation rates and --  
21 we're just looking at the logical sequence of events to  
22 follow here. And I think that we'll need to restart  
23 those discussions at the appropriate time here, but we  
24 have to ensure that we clear the backlog of issues that  
25 we currently have in front of us.

1                   MR. LLOYD KUCZEK:    And maybe I can add  
2 to that too, because there is some -- there's some  
3 other overhanging factors that really have influenced  
4 things, and that's the -- the fact that we're not sure  
5 if we're going to be responsible for conservation in  
6 the future as part of our mandate.

7                   So we started the -- the consultations,  
8 and it's driven by energy conservation objectives. And  
9 -- and so one (1) of the initiatives that we decided  
10 that we could do concurrently until we know what the  
11 future is, is to undertake some studies with regards to  
12 elasticity. So we're currently undertaking that until  
13 we know what's going to happen in the future.

14                   But it -- it's potentially possible that  
15 if we're divested totally of our responsibilities  
16 related to energy conservation, that it -- there'd be  
17 no driver for the utility to implement conservation  
18 rates. So we'd have to address that at that point.

19                   MR. WILLIAM GANGE:    Is the same  
20 consultant looking at the elasticities and rate design,  
21 Mr. Kuczek?

22                   MR. LLOYD KUCZEK:    At this point in  
23 time, we -- we expect to be using the same consultant  
24 as we've had doing our cost-of-service work.

25                   MR. WILLIAM GANGE:    Mr. Barnlund,

1 you're aware that -- that one (1) of the potential  
2 options that Mr. Colton has put on the table is a -- a  
3 rate design solution.

4 You're aware of that, sir?

5 MR. GREG BARNLUND: Yes, I am.

6 MR. WILLIAM GANGE: So that that's one  
7 (1) of the issues that he sees as being appropriate for  
8 the consultation collaborative approach, correct, sir?

9 MR. GREG BARNLUND: I think that that's  
10 reasonable. I think that it's important that -- that  
11 consultation be undertaken on rate design matters prior  
12 to those matters being brought in front of this Board.  
13 And I think that those are the appropriate steps to  
14 take, certainly.

15 MR. WILLIAM GANGE: And -- and, Mr.  
16 Kuczek, with respect to that question of -- of the --  
17 the entity, currently, Manitoba Hydro's mandate  
18 includes efficiency of end use, correct, sir?

19 MR. LLOYD KUCZEK: That's correct.

20 MR. WILLIAM GANGE: And in the  
21 discussions that you've had or that Hydro's had with  
22 the government with respect to the entity, how is that  
23 question of efficiency of end use to be put into effect  
24 if Manitoba Hydro is divested of the DSM program? I  
25 don't understand that.

1 MR. LLOYD KUCZEK: We don't know how  
2 they're going to do that, actually.

3 MR. WILLIAM GANGE: And -- and nobody  
4 from -- and I don't mean to be treading on secret  
5 discussions or confidential discussions, as a better  
6 way of describing it, with the government. But is  
7 there anything that you can share as to what the  
8 government has told you on -- with respect to that  
9 topic?

10 MR. LLOYD KUCZEK: No. We don't have  
11 anything.

12 MR. WILLIAM GANGE: Okay. Mr.  
13 Barnlund, would you agree with me that -- that the  
14 concept of the conservation rates and the concept of  
15 energy affordability are intertwined? You can't have  
16 conservation rates unless there's something done about  
17 affordability of -- of electricity.

18 Isn't that correct, sir?

19 MR. GREG BARNLUND: We find that there  
20 are competing rate design objectives that -- that need  
21 to be considered and need to be resolved.

22 MR. WILLIAM GANGE: Thank you. Now,  
23 you mentioned that there are difficulties that Manitoba  
24 Hydro has in terms of setting out what's your  
25 responsibility, what's your not.

1                   That is something that can be part of  
2 the collaborative process, can't it, sir?

3                   MR. GREG BARNLUND:    I think that it  
4 would be important to have that discussion prior to  
5 entering into the collaborative process so that there'd  
6 be like a -- a pre-process discussion where the parties  
7 could clearly come to terms on the terms of reference  
8 and the respective responsibilities of each entity at  
9 the table.

10                  MR. WILLIAM GANGE:    And I take it, sir,  
11 that one (1) of the concerns that Manitoba Hydro has --  
12 and you didn't -- you didn't specifically spell it out,  
13 but I think it's underlying a lot of what you're saying  
14 -- is the concept of uniform rates as set out in the  
15 Act, correct, sir?

16                  MR. GREG BARNLUND:    That is one (1)  
17 consideration.  Uniform rates are legislated.  It's  
18 also a generally accepted rate-making principle that,  
19 under a postage stamp rate design, that -- that the  
20 cost or the rates for customers receiving the same  
21 level of service be the same level of rate no matter  
22 where they're situated in the service territory.

23                  MR. WILLIAM GANGE:    Right.  And so  
24 section 39 of the Act sets out the -- the requirement  
25 to have uniform rates, correct, sir?

1 MR. GREG BARNLUND: I believe so. I'll  
2 take that.

3 MR. WILLIAM GANGE: But in the past,  
4 Manitoba Hydro has come to this Board, for instance on  
5 the energy intus -- intensive industrial rate design,  
6 to ask for a special rate to be defined by the Board,  
7 correct, sir?

8 MR. GREG BARNLUND: The circumstances  
9 were slightly different, and in term --

10 MR. WILLIAM GANGE: Well, I understand  
11 that the circumstances were different but --

12 MR. GREG BARNLUND: Right.

13 MR. WILLIAM GANGE: -- but my point is  
14 that -- that Hydro does have the power to ask the Board  
15 for a special rate design.

16 MR. GREG BARNLUND: The rate design in  
17 terms of the energy intensive rate wouldn't have  
18 violated uniform rate legislation.

19 MR. WILLIAM GANGE: Okay. And would  
20 you agree with me, sir, that it -- it is -- it's --  
21 that the question of whether a special rate design --  
22 or special rate category for the concept of affordable  
23 energy, that's something that's never been tested in --  
24 certainly in Manitoba under our legislation, correct,  
25 sir?

1                   MR. GREG BARNLUND:    I believe that's  
2 correct.

3                   MR. WILLIAM GANGE:    Thank you.

4                   THE CHAIRPERSON:    I suppose the -- I  
5 suppose the follow-up question to that would be, Is it  
6 your view that conservation rates, or inverted rates,  
7 would represent a statutory infraction? I mean, in  
8 other words, would -- if you were to request a special  
9 rate design involving inverted rates, that would be  
10 outside the legislation -- legislative powers?

11                   MR. GREG BARNLUND:    Not in itself -- in  
12 and of itself. If we were to design an inverted rate,  
13 and in other words we'd be charging more for the runoff  
14 energy than we would for the first block of energy,  
15 conceivably we would apply that rate on a uniform rate  
16 basis for every residential customer in the province.

17                   However, in designing that rate and in  
18 trying to implement that rate we'd obviously have, you  
19 know, a consideration for the level of impact on  
20 customers that were heating electrically -- heating  
21 with electricity, and were not capable of -- of  
22 availing themselves of an alternative source of energy.

23                   So it wouldn't violate uniform rates  
24 legislation, but it's a matter that we would need to  
25 deal with prior to creating a rate proposal we would

1 bring forward to this Board.

2

3 CONTINUED BY MR. WILLIAM GANGE:

4 MR. WILLIAM GANGE: Ms. Galbraith, if I  
5 could ask a few questions of you with respect to the  
6 material that you presented to the Board.

7 Let's assume that a person owes a  
8 thousand dollars (\$1,000) in -- in arrears. What steps  
9 does Manitoba Hydro take to obtain that thousand  
10 dollars (\$1,000) and put that person back into a  
11 current state?

12 MR. PAUL CHARD: I think that question  
13 is more appropriately addressed by --

14 MR. WILLIAM GANGE: For you? Okay.

15 MR. PAUL CHARD: -- by me, yes.

16 MR. WILLIAM GANGE: Thank you.

17 MR. PAUL CHARD: So -- and -- and as I  
18 -- as I go we may move over to Ms. Galbraith. So,  
19 sorry, can you repeat the --

20 MR. WILLIAM GANGE: Sure. The -- the  
21 assumption that I'm making is that a person owe -- has  
22 a thousand dollars (\$1,000) in arrears. It's June 1st,  
23 and -- and they owe that thousand dollars (\$1,000).

24 What steps does Manitoba Hydro take, Mr.  
25 Chard, to -- to put that person into a current status?

1 MR. PAUL CHARD: Right. So the --  
2 there's some information provided through the IRs in  
3 terms of bill messaging and that sort of thing that  
4 occurs during the period when that arrears would have  
5 been accumulating, but I think what --

6 MR. WILLIAM GANGE: Okay, so step  
7 number 1, they've been -- your department has been  
8 sending out messages to them saying, You're in arrears.

9 MR. PAUL CHARD: Correct.

10 MR. WILLIAM GANGE: So that's going out  
11 by mail?

12 MR. PAUL CHARD: On their bill, yes.

13 MR. WILLIAM GANGE: And is there -- is  
14 there a staff person that is in charge of that, or is  
15 that entirely automated?

16

17 (BRIEF PAUSE)

18

19 MR. PAUL CHARD: Yeah, that's entirely  
20 automated.

21 MR. WILLIAM GANGE: Okay. So it's the  
22 1st of June. They've -- they've got those messages.  
23 They're not sending in a larger cheque.

24 MR. PAUL CHARD: So -- and I guess I'll  
25 accept your first of June, but I think we would be

1 attempting to contact them probably before that point,  
2 and before our arrears have reached the thousand dollar  
3 (\$1,000) level. But accepting your example, we would  
4 be attempting to make contact with the customer.

5 MR. WILLIAM GANGE: By a staff person?

6 MR. PAUL CHARD: By a staff person.

7 MR. WILLIAM GANGE: Okay. And -- and  
8 how large is that staff -- that department?

9

10 (BRIEF PAUSE)

11

12 MR. PAUL CHARD: There's about forty  
13 (40) people on the phones.

14 MR. WILLIAM GANGE: Okay. And using  
15 Mr. Rainkie's number of the value of staff, EFT at a  
16 hundred thousand dollars, we're looking at -- at a  
17 component of about forty thousand dollars (\$40,000) for  
18 those on -- or pardon me, a hundred thousand times  
19 forty (40) would be four hundred thousand dollars  
20 (\$400,000) for that staff component; 4 -- 4 million.  
21 Thanks, Peter.

22 Somebody went to university. Somebody  
23 got a night -- a great night school diploma, but...

24 MR. PAUL CHARD: Four (4) million  
25 sounds closer --

1 MR. WILLIAM GANGE: Yes.

2 MR. PAUL CHARD: -- yes.

3 MR. WILLIAM GANGE: Yes. Okay. So  
4 that -- so there's phone calls to them?

5 MR. PAUL CHARD: That's correct.

6 MR. WILLIAM GANGE: It comes up on the  
7 screen, "Manitoba Hydro." They don't pick up the  
8 phone. What goes next?

9 MR. PAUL CHARD: If -- so we have  
10 escalating -- escalating contact. And I guess what --  
11 can I go back to we do make contact?

12 MR. WILLIAM GANGE: Okay, sure, sure,  
13 sure, sure.

14 MR. PAUL CHARD: I think that's the --  
15 when -- when we do make contact, and -- and this is a  
16 point that I think I'd like to -- to make sure is -- is  
17 clear to the Board, is that we do not disconnect  
18 customers who have active payment arrangements.

19 So when a customer engages with us and  
20 we are working with the customer, a customer is not  
21 going to end up in the position of -- of being  
22 disconnected. So the -- the role of the rep is to work  
23 with the customer, as I said yesterday, to listen to  
24 their circumstance and what is possible within their  
25 means, asking questions, providing flexibility in terms

1 of when they make payment.

2                   So that can be arranged around times  
3 when they may have money coming in. So it doesn't  
4 matter when the bill is due or that sort of thing. The  
5 -- the reps can certainly provide incentives to the  
6 customers in terms of forgiving late payment charges to  
7 -- to encourage them to -- to keep payment  
8 arrangements.

9                   We also understand that, you know,  
10 customers in these circumstances are -- face many  
11 pressures and so that, you know, often or -- or at  
12 times when they make a payment arrangement it turns out  
13 that they can't keep that payment arrangement. And we  
14 encourage them when they can't keep the payment  
15 arrangement to call us back and to make another payment  
16 arrangement.

17                   MR. WILLIAM GANGE: Sure. Okay. And -  
18 - and I understand that. But the reality is that you  
19 have customers in spite of that that just don't make  
20 those payments, correct, sir?

21                   MR. PAUL CHARD: That is correct.

22                   MR. WILLIAM GANGE: And how many people  
23 on an annual basis do face having their power cut off?

24

25   (BRIEF PAUSE)

1                   MR. WILLIAM GANGE:    I think the back  
2 row might be -- have that -- have that information for  
3 you.

4

5                                   (BRIEF PAUSE)

6

7                   MR. PAUL CHARD:    So for all electric  
8 customers, which would include both electric heat  
9 customers and the apartment customers that are only  
10 lights and plugs, as we say, that would be about five  
11 thousand (5,000) customers a year. And customers with  
12 combined service, electric gas, would be an additional  
13 two thousand (2,000).

14                  MR. WILLIAM GANGE:    Okay. And you have  
15 staff members that actually physically go out and they  
16 turn off the power?

17                  MR. PAUL CHARD:    I don't, but, yes,  
18 Manitoba Hydro does.

19                  MR. WILLIAM GANGE:    Yes. And -- and  
20 from that information, seven thousand (7,000) times  
21 last year?

22                  MR. PAUL CHARD:    Correct.

23                  MR. WILLIAM GANGE:    Okay. Any idea of  
24 how many people are -- are employed to do that?

25                  MR. PAUL CHARD:    There's a variety of -

1 - of staff who might perform that function. So there's  
2 -- so I don't know how many are actually train -- or  
3 actually carry out that work.

4 MR. WILLIAM GANGE: And I apologize --

5 MR. PAUL CHARD: And -- and if it,  
6 sorry.

7 MR. WILLIAM GANGE: -- if this seems  
8 like a -- a nit-picky question, because it probably is,  
9 but I'm going to ask it anyways, can you give the Board  
10 an estimate of how much time is spent on that  
11 disconnection process, on an average of those seven  
12 thousand (7,000) customers?

13 MR. PAUL CHARD: Not in hours. There  
14 was a question asked regarding the costs for -- for all  
15 of our credit activities and that takes into account  
16 the field disconnections as well.

17 MR. WILLIAM GANGE: And what was that -  
18 - and what was the -- the -- that answer, sir?

19 MR. PAUL CHARD: I -- if you'd give me  
20 a moment.

21 MR. WILLIAM GANGE: Yes, I will.

22

23 (BRIEF PAUSE)

24

25 MR. PAUL CHARD: So those total costs

1 in 2014 were six million six-hundred thousand, so that  
2 includes the people in the -- on the phones and the  
3 people doing field work.

4 MR. WILLIAM GANGE: Does it also  
5 include, sir, the cost of writing off accounts? Do you  
6 -- do you have that number?

7 MR. PAUL CHARD: Now, it does not  
8 include bad debt expense.

9 MR. WILLIAM GANGE: And -- and do you  
10 have that -- that number of what was written off?

11 MR. PAUL CHARD: I do.

12

13 (BRIEF PAUSE)

14

15 MR. PAUL CHARD: One (1) moment,  
16 please.

17

18 (BRIEF PAUSE)

19

20 MR. PAUL CHARD: 1.95 million.

21 MR. WILLIAM GANGE: So almost \$2  
22 million.

23 THE CHAIRPERSON: But those would  
24 include commercial and residential?

25 MR. PAUL CHARD: That would include

1 commercial as well, yes.

2 THE CHAIRPERSON: And 6.6 million is  
3 the cost of all your credit activities, not just the  
4 ones related to cutoffs?

5 MR. PAUL CHARD: That's right. That's  
6 -- that is all of our activities, yes.

7 THE CHAIRPERSON: All of the ones that  
8 are successfully resolved. I mean, in the normal  
9 course of business, businesses have credit activities,  
10 so on and -- okay.

11 MR. PAUL CHARD: Yes.

12 THE CHAIRPERSON: Okay. Now, of those  
13 -- of those cutoffs, I would imagine a fair percentage  
14 of those would be reinstated?

15 MR. PAUL CHARD: Yes.

16 THE CHAIRPERSON: So at the end of the  
17 day are we talking -- how many people are off the grid  
18 completely because they've been cutoff and you never  
19 see or hear from them again?

20 MR. PAUL CHARD: We -- we did file that  
21 information as well. If you'd give me a moment.

22 THE CHAIRPERSON: Okay.

23

24

(BRIEF PAUSE)

25

1 MR. PAUL CHARD: So in GAC/Manitoba  
2 Hydro Round 1, Question 21, we provided the number of -  
3 - of disconnections and reconnections by month. And  
4 there's some seasonality to this.

5 You'll see that in some of the months --  
6 tend -- it tends to be in the spring and some of the --  
7 some of the months in the spring, the disconnections  
8 are higher than the reconnections. And then you have a  
9 catch-up period generally in the fall where the  
10 reconnections exceed the disconnections.

11 I don't have a net, but we could provide  
12 that.

13 THE CHAIRPERSON: One (1) of the -- the  
14 spouses of one (1) of the advisors to this process has  
15 -- is -- is in Northern Ireland right now. And she --  
16 she was describing to her husband having to plug a  
17 meter to be able to get heat. Has that ever happened  
18 in Manitoba? Is that something that's been considered  
19 at any point?

20 MR. PAUL CHARD: We don't have that in  
21 Manitoba. I believe it was considered at one (1) point  
22 in time, but I'm not sure the reasons that it was  
23 accepted or not accepted.

24 MR. LLOYD KUCZEK: Pay-as-you-go is  
25 what we refer to it as. And, yeah, we -- we conclu --

1 we had a pilot, and I can't recall all the difficulties  
2 with the program, but at the end we decided it wasn't a  
3 program that was worth pursuing.

4

5 CONTINUED BY MR. WILLIAM GANGE:

6 MR. WILLIAM GANGE: Thank you, sir.

7 Mr. Kuczek, I want you to go to page 59 of -- of the  
8 presentation Exhibit 67. You had mentioned codes and  
9 standards. This graph, the red line, as I understand  
10 it, is the effect of codes and standards.

11 Is that correct, sir?

12 MR. LLOYD KUCZEK: Correct.

13 MR. WILLIAM GANGE: And this shows that  
14 -- that during the period '14, '15, '16, '17, '18, '19,  
15 '20, '21 -- well, right to the -- to the end of the  
16 chart -- that the energy savings that arise out of  
17 codes and standards is quite significant.

18 MR. LLOYD KUCZEK: Correct.

19 MR. WILLIAM GANGE: And those codes and  
20 standards, sir, they don't happen by themselves, do  
21 they? I mean, there's a process to get those codes and  
22 standards in -- in place.

23 MR. LLOYD KUCZEK: That's correct, and  
24 it's an aggregate -- aggregate effort of numerous  
25 parties involved. There's provincial efforts, there's

1 federal efforts. And so --

2 MR. WILLIAM GANGE: As well, there's  
3 Manitoba Hydro efforts?

4 MR. LLOYD KUCZEK: Manitoba Hydro plays  
5 a role in those provincial and federal efforts, and we  
6 tend to take a lead role, along with BC Hydro, Quebec  
7 Hydro on the federal front. And -- and locally we try  
8 to drive it as well because, well, it helps us with our  
9 energy conservation objectives, of course.

10 So what we do is we don't claim the  
11 savings. We just report the savings. And the other  
12 component that's important about this is, when we talk  
13 about those savings in our plan, they aren't considered  
14 as an option with the resource planning when we provide  
15 them with our DSM options.

16 That's -- that's taken out because  
17 that's going to happen anyways without any further  
18 investment. So that's important to recognize as well,  
19 too.

20 MR. WILLIAM GANGE: In -- in your  
21 material, you -- you indicated that Mr. Friesen and Ms.  
22 Kuruluk are both involved in -- in these processes to -  
23 - well, to ensure that -- that the codes and standards  
24 are as effective as -- as can reasonably be expected.

25 Would that be correct, sir?

1 MR. LLOYD KUCZEK: Yes. They -- they  
2 participate on -- on the provincial and federal fronts  
3 --

4 MR. WILLIAM GANGE: Okay.

5 MR. LLOYD KUCZEK: -- as well as some  
6 others.

7 MR. WILLIAM GANGE: You've also  
8 indicated in this chart the yellow line shows  
9 incremental energy savings pursuant to conservation  
10 rates.

11 MR. LLOYD KUCZEK: Correct.

12 MR. WILLIAM GANGE: And so those are  
13 the proposed -- or the potential savings as Manitoba  
14 Hydro sees it if -- if a proper conservation rate  
15 program were to be adopted?

16 MR. LLOYD KUCZEK: That's correct.

17 MR. WILLIAM GANGE: And -- and you  
18 mentioned that you don't claim the benefit of that.  
19 That's page 60.

20 Is that correct, sir?

21 MR. LLOYD KUCZEK: Conservation rates  
22 we -- we would claim as part of our Power Smart  
23 initiatives. I just took those three (3) initiatives  
24 out as well as codes and standards just to illustrate  
25 what's been achieved through the other twenty-five (25)

1 programs themselves in aggregate, just to -- to give  
2 the Board and others a sense for the general magnitude  
3 of the impact of fuel choice conservation, load  
4 displacement, and -- and codes and standards.

5 MR. WILLIAM GANGE: And -- and what  
6 these two (2) charts, the -- the conclusion that you  
7 want the Board to understand is that -- that it's a  
8 multi-pronged approach in order to save electrical  
9 power, correct, sir?

10 MR. LLOYD KUCZEK: Yes. And it's also  
11 a -- an integrated strategy. So when -- when we're  
12 pursuing, say, a new homes program that we -- that we  
13 had in the past, the long-term objective of that  
14 program, in addition to changing the -- well, the new  
15 home program, the long-term objective was to implement  
16 changes to the codes eventually so that -- and that we  
17 did achieve that as well, as part of the program.

18 But it wasn't -- it wasn't a program  
19 just to get the new home market to implement the  
20 measures at the time. The thinking was long term, if  
21 we implement this, and even if -- and we had some  
22 discussions, Mr. Miller will recall, in terms of how  
23 few participants there were in the program in the  
24 initial few years, and -- and Mr. Miller was quite  
25 disappointed, and so were we of course.

1                   But -- but at the end of the day, what  
2 we achieved was substantial, because it was implemented  
3 in codes and standards, so every home after that was  
4 impacted.

5                   MR. WILLIAM GANGE:    One (1) of the  
6 questions that has been, well, floating around is -- is  
7 the cost of DSM.

8                   And page 62 of your presentation has a  
9 chart that shows additional DSM costs, and you've  
10 indicated that DSM at four (4) cents per kilowatt hours  
11 is expected to cost the Utility about a billion  
12 dollars, correct, sir?

13                  MR. LLOYD KUCZEK:    That's our estimate,  
14 yes.

15                  MR. WILLIAM GANGE:    And the estimate of  
16 what it would cost consumers, or customers, is \$700  
17 million?

18                  MR. LLOYD KUCZEK:    Correct.

19                  MR. WILLIAM GANGE:    That's not taking  
20 into account the beneficial aspect to the customer of -  
21 - of taking you up on the DSM measures, correct, sir?

22                  MR. LLOYD KUCZEK:    It's just looking at  
23 the cost side of the equation.

24                  MR. WILLIAM GANGE:    I'm not sure, sir,  
25 why there's no cost with respect to the new entity.

1                   What -- is that because that's an  
2 unknown?

3                   MR. LLOYD KUCZEK:    Yeah, that would be  
4 an unknown.  There would be an additional cost to  
5 having a new entity, and so, you know, over twenty (20)  
6 years one would have to estimate what that would be.  
7 But, yeah, there would be additional costs associated  
8 with having a new entity.

9                   MR. WILLIAM GANGE:    I asked the  
10 planning panel how it would -- how integrated resource  
11 planning could take place when the DSM activities were  
12 not within Manitoba Hydro, and I -- I think in my  
13 summary of it, and -- and I hope that I fairly portray  
14 the answer, was that that's an unknown.  It -- it would  
15 make for a more difficult process.

16                   You take part -- you and Ms. Morrison  
17 take part in the -- in the -- the integrated resource  
18 planning process currently, don't you?

19                   MR. LLOYD KUCZEK:    We do.  It's -- the  
20 process that we -- and again, at NFAT, I tried to  
21 explain that, but the process that we have in place in  
22 Manitoba Hydro, or we've been using, involves the  
23 resource planning people providing us with the marginal  
24 cost, and then us designing programs that are economic  
25 relative to that marginal cost.

1                   We used to develop options, but if you  
2 develop options that had costs that were greater than  
3 that, they would be uneconomic, clearly. So what ended  
4 up happening over time is we provided them with the  
5 programs that were economic, and resource planning  
6 would assess them in -- in the initial years, and they  
7 always passed.

8                   So it go to the point where resource  
9 planning just accepted those plans as being economic,  
10 and it was put right in the base case. And then they  
11 assessed all the other resource options in terms of  
12 what made the most economic plan for Manitoba Hydro,  
13 recognizing the DSM plan that we provided them with was  
14 the most economic, assuming we were pursuing all  
15 economic opportunities.

16                   MR. WILLIAM GANGE:   How does -- how  
17 would that work with a separate entity in terms of,  
18 from your perspective, of how would that -- would the  
19 DSM material be coordinated with the planning  
20 department?

21                   MR. LLOYD KUCZEK:   There would be  
22 challenges, because one (1) of the challenges that we'd  
23 have to figure out is whether or not that commercially  
24 sensitive information would be shared with the entity,  
25 so it's shared internally with -- within Manitoba

1 Hydro, and we use that to develop the plan.

2 I guess one (1) option would be for the  
3 entity to create some options and provide that back to  
4 Manitoba Hydro and we'd have to do some analysis, and -  
5 - but they wouldn't know what the -- they wouldn't know  
6 what the marginal values would be potentially, and so  
7 they could just come up with a number of designs. And,  
8 you know, we could take that and assess it against our  
9 options. That would -- that would be one (1) thing  
10 that we could do. It'd be --

11 MR. WILLIAM GANGE: Do I take it from  
12 that, sir, that Manitoba Hydro would have to retain  
13 people within its structure that -- that were skilled  
14 and experts in DSM management techniques in order to  
15 analyze the plans that were coming back from -- from  
16 the entity?

17 MR. LLOYD KUCZEK: Yeah, it -- it's  
18 even more complicated than that, because we're  
19 different than a lot of regions because our marginal  
20 cost values vary by the winter and the summer, and  
21 they're substantially different. And -- and so when  
22 you're pursuing DSM opportunities, you also have to  
23 look at when those opportunities are getting the energy  
24 savings.

25 So if you're getting the energy savings

1 in the winter, you know you can -- you can do a lot  
2 more, you can invest a lot more, because there's a lot  
3 of higher value to Manitoba Hydro than there is for  
4 energy savings in the summer.

5                   So when we look at a DSM opportunity,  
6 and I don't -- I generally don't think this -- this is  
7 done in the industry in other regions to the degree  
8 that we do it because of our nature of our system, the  
9 hydraulic system. So we break down a DSM opportunity.  
10 We ask, when are those savings happening? Like, are  
11 they happening in the wintertime, or are they happening  
12 on peak, off peak? And then we put that into that --  
13 that matrix in terms of where the value is.

14                   So if you had an entity that provided  
15 you with some DSM opportunities, theoretically, they'd  
16 have to provide you with that, as well, you know, so we  
17 have engineering support at Manitoba Hydro that techni  
18 -- that has a lot of technical knowledge in end use.

19                   I don't know if -- if that entity would  
20 have those resources or how that would work, as well.

21                   MR. WILLIAM GANGE:    Mr. Chair, my  
22 hour's up, and thank you. Thank you, panel.

23                   THE CHAIRPERSON:    Thank you, Mr. Gange.  
24 I do have a follow-up question, and it -- it relates to  
25 -- you described earlier investments and codes and

1 standards by Manitoba Hydro. Are you talking of the  
2 design work that you are doing now, for example, with  
3 Hydro-Quebec and so on? Is that the investment?

4 MR. LLOYD KUCZEK: Well, with the  
5 organization referred to as SCOPEER that we had in our  
6 presentation, so we fund that. So that organization is  
7 -- the funding comes from a number of places, but  
8 Manitoba Hydro, BC Hydro, Quebec Hydro (sic), and Ener  
9 -- the fed -- federal government, as well as Ontario --  
10 excuse me, not Quebec Hydro (sic), the other four (4)  
11 entities provide the funding for that. And then  
12 there's funding provided by some other organizations,  
13 including Hydro-Quebec, and -- and so that's the cost.

14 And then the other costs would be all  
15 the in kind from Manitoba Hydro.

16 THE CHAIRPERSON: Thank you. Me.  
17 Hacault, s'il vous plait.

18 MR. ANTOINE HACAULT: Welcome, all.  
19 Again for this panel, if any of my questions are  
20 unclear, please let me know and I'll try and rephrase  
21 them. And if I'm treading on commercially sensitive  
22 information, also, please let me know.

23 I have one (1) administrative matter  
24 that I need to deal with. We had distributed last  
25 night a book of documents, which I understand can be

1 marked as Exhibit MIPUG-10-4. Is that correct, Mr.  
2 Simonsen?

3 MR. KURT SIMONSEN: Yes. Thank you.

4

5 --- EXHIBIT NO. MIPUG-10-4: Book of documents

6

7 CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

8 MR. ANTOINE HACAULT: Diana, if you  
9 could -- I'll deal with some of the matters in that  
10 book first, and then I'll go on to other matters. At  
11 pages...

12

13 (BRIEF PAUSE)

14

15 MR. ANTOINE HACAULT: ...6 to 14 of the  
16 book of documents, there was reproduced an extract from  
17 Manitoba Hydro response to a PUB question. And in  
18 particular, at page 12 of that book, there's an  
19 explanation on how the various metrics work.

20 Mr. Kuczek, can we, for purposes of the  
21 hearing this morning, proceed on the basis that this  
22 answer still reflects Manitoba Hydro's position unless  
23 you advise otherwise?

24 MR. LLOYD KUCZEK: That's correct.

25 MR. ANTOINE HACAULT: And I don't

1 intend to go through all of these examples again,  
2 because some of them we had gone through at the NFAT.

3 Now, I do want to point out that there  
4 were various cases that were provided just by way of  
5 ill -- illustration, correct?

6 MR. LLOYD KUCZEK: Correct.

7 MR. ANTOINE HACAULT: They may not be  
8 applicable for every scenario, but at least it gives us  
9 some idea of how the metrics works and -- metrics work,  
10 and this was one (1) of the reasons to provide  
11 illustration case A, then illustration case B, and then  
12 illustration case E, correct?

13 MR. LLOYD KUCZEK: Yeah, the primary  
14 objective that I was trying to achieve there was to  
15 provide the Board and others with an understanding of  
16 the implications of pursuing -- when you have  
17 additional load, pursuing -- meeting that new  
18 additional load with either new generation or different  
19 levels of DSM, one (1) being you spending up to the  
20 same level as the cost of new generation, and the other  
21 being at a lower level, taking into account that  
22 participating customers are -- are benefiting and -- so  
23 that was the objectives of those slides.

24 MR. ANTOINE HACAULT: And, Diana, if  
25 you go to page 5 of the book of documents, please?

1 There was created by MIPUG a table which illustrated  
2 some possible calculations which would result from  
3 these cases.

4 Do you recall that, sir?

5 MR. LLOYD KUCZEK: Yes.

6 MR. ANTOINE HACAULT: And so that  
7 example 1, very briefly, was we had no new generation  
8 and no new DSM.

9 And we saw that a customer's bill in  
10 that particular example would be seven hundred dollars  
11 (\$700) per year, correct?

12 MR. LLOYD KUCZEK: That was the  
13 starting point, correct.

14 MR. ANTOINE HACAULT: And then building  
15 on what you had given us as an example, if we were  
16 adding new plant at ten (10) cents per kilowatt,  
17 roughly speaking again, in this illustration, we saw  
18 that the customer's total bill would increase to seven  
19 hundred and twenty-seven dollars (\$727), correct?

20 MR. LLOYD KUCZEK: Yeah, that's  
21 assuming new generation costs more, yes.

22 MR. ANTOINE HACAULT: Yeah. And then  
23 we tried to understand if you spent ten (10) cents a  
24 kilowatt on DSM, how that would affect customers both  
25 who participate and those who don't participate,

1 correct?

2 MR. LLOYD KUCZEK: That's correct.

3 MR. ANTOINE HACAULT: And although  
4 intuitively, you might think that spending ten (10)  
5 cents on DSM might lead to the same result as spending  
6 ten (10) cents on new generation, that's not what, in  
7 fact, would happen under this illustration, correct?

8 MR. LLOYD KUCZEK: Well, this -- what -  
9 - what this was illustrating is -- is there's different  
10 impacts to the participating customers and non-  
11 participating customers.

12 MR. ANTOINE HACAULT: And we had  
13 established in that hearing that there isn't 100  
14 percent take up on any particular program that you  
15 implement at Manitoba Hydro as a DSM plan?

16 MR. LLOYD KUCZEK: That's correct. And  
17 -- and then the other point that this was to illustrate  
18 is is that if Manitoba Hydro paid the entire cost of  
19 the DSM opportunities and spent up to new generation,  
20 the rates would be substantially higher. But that just  
21 makes sense, because the cost of providing the services  
22 is higher, so -- but it -- it would be this -- well, it  
23 would be higher than just pursuing new generation.

24 MR. ANTOINE HACAULT: And without going  
25 through all of them, in the pages that followed, we

1 repeated the example, but then looked at the different  
2 metrics. So if we go, for example, on the next page,  
3 which is page 6 of our book of documents, we saw the  
4 example at the top, and then using the data in the  
5 table at the top, we looked at different metrics.

6 Is that fair?

7 MR. LLOYD KUCZEK: Correct.

8 MR. ANTOINE HACAULT: So that one  
9 metric at the bottom of the table, line 20, was a TRC.  
10 And what's a TRC again?

11 MR. LLOYD KUCZEK: Total resource cost.

12 MR. ANTOINE HACAULT: Okay. And if we  
13 looked at total resource costs it gave us one (1)  
14 metric, and then another metric that's set out in  
15 Manitoba Hydro's material is what we call the RIM?

16 And what's that?

17 MR. LLOYD KUCZEK: That's the rate  
18 impact measure.

19 MR. ANTOINE HACAULT: And can you tell  
20 us, sir, looking down that example we see that the  
21 impact under that particular metric is zero point five-  
22 eight (0.58), and that's for the scenario where we're  
23 spending ten (10) cents on DSM.

24 MR. LLOYD KUCZEK: Right. And -- and  
25 if you look at the rates associated with that, that

1 oper -- or that pathway, the rates are higher than if  
2 you pursued just new generation. So that's -- that  
3 provides you with a consistent indication.

4 MR. ANTOINE HACAULT: So under a RIM  
5 metric, and I appreciate there's a lot of them that  
6 Manitoba Hydro considers, if the RIM metric is less  
7 than one (1), that would be an unfavourable indication.

8 Is that fair?

9 MR. LLOYD KUCZEK: Not exactly. It is  
10 in terms of rates, but we do believe that it's -- it's  
11 acceptable for rates to go higher -- higher than what  
12 they currently are by pursuing DSM because when you're  
13 pursuing -- meeting additional load through new -- new  
14 generation options, there's rate impacts as well.

15 So what we try to accomplish through DSM  
16 is such that rate impacts would be comparable whether  
17 or not you pursue it through meeting new load through  
18 DSM or new generation. So then customers, whether you  
19 participate or don't participate, aren't impacted in a  
20 negative way.

21 So that's the ideal objective, but when  
22 you break it down into the individual programs you --  
23 you got to consider your overall objectives. And, you  
24 know, when it comes into -- when you consider lower  
25 income programs you're -- you're willing to spend more

1 for other reasons.

2 MR. ANTOINE HACAULT: Thank you for  
3 that, sir. And -- and that's part of the longer answer  
4 that preceded your answer to the interrogatory, which  
5 unfortunately I'm a little bit pressed and I haven't  
6 gone through, but thank you very much for bringing that  
7 up.

8 My next question, still on the RIM  
9 metric, when we spent point two-seven (.27) cents per  
10 kilowatt on DSM it gave us a RIM metric of one (1).

11 What does that tell us?

12 MR. LLOYD KUCZEK: There was no  
13 direction or magnitude impact to pursuing DSM with that  
14 option.

15 MR. ANTOINE HACAULT: Okay. So if we  
16 look on top of the table we saw that doing ten (10)  
17 cent per kilowatt generation led to a total bill for  
18 all customers at seven hundred and twenty-seven dollars  
19 (\$727). Do you see that?

20 MR. LLOYD KUCZEK: For each customer,  
21 yes.

22 MR. ANTOINE HACAULT: And for the  
23 metric -- or the scenario to the right where we spent  
24 point two-seven (.27) cents per kilowatt for the  
25 participating customers they saw a reduction in their

1 bill down to six hundred and fifty-four dollars and  
2 thirty cents (\$654.30), correct?

3 MR. LLOYD KUCZEK: That's correct.

4 MR. ANTOINE HACAULT: But for all the  
5 non-participating customers, there was no impact in  
6 this particular scenario because they were paying the  
7 seven hundred and twenty-seven dollar (\$727) bill,  
8 which was the same as if we had added ten (10) cents on  
9 generation, correct?

10 MR. LLOYD KUCZEK: That's correct.

11 MR. ANTOINE HACAULT: And that's why  
12 you've said that even the non-participating customers  
13 aren't adversely impacted, and -- and the RIM tells us  
14 that.

15 MR. LLOYD KUCZEK: Correct.

16 MR. ANTOINE HACAULT: Now, I'd like to  
17 -- and I don't know if it's going to be Mr. Barnlund or  
18 yourself, take you to a couple questions with respect  
19 to the curtailable rate program. There were some  
20 questions of the panel on that, and of Board counsel.

21 At page 2 of our document, it's taken  
22 from Appendix 8.1 of this application, and there should  
23 be highlighted on this table -- you'll see the line,  
24 "Curtailable Rate Program."

25 Do you see that, sir?

1 MR. LLOYD KUCZEK: I do.

2 MR. ANTOINE HACAULT: And at the very  
3 top of the table, if we look across the top where it  
4 says electric DSM, there's different metrics that -- or  
5 headings.

6 Do you see that?

7 MR. LLOYD KUCZEK: Correct.

8 MR. ANTOINE HACAULT: The first metric  
9 is the RIM metric that we just talked about. And the  
10 RIM metric for the curtailable rate program is one  
11 point four (1.4), correct?

12 MR. LLOYD KUCZEK: Correct.

13 MR. ANTOINE HACAULT: And there's -- I  
14 think there was a question on whether there was an NPV  
15 for curtailable -- the curtailable rate program. The  
16 Manitoba Hydro analysis is that there would be -- is  
17 this in millions of dollars, \$32.2 million?

18 Is that correct?

19 MR. LLOYD KUCZEK: That's correct.

20 MR. ANTOINE HACAULT: Okay. So at  
21 least from the RIM perspective, this is -- that metric  
22 is telling us it's not a bad program.

23 MR. LLOYD KUCZEK: I just need one (1)  
24 sec.

25

1 (BRIEF PAUSE)

2

3 MR. LLOYD KUCZEK: I'm going to have to  
4 do some checking to see how we do our analysis on that.  
5 The concern I've got is whether we're using the  
6 marginal values related to DSM, or whether we're using  
7 the value that is be -- that should be -- that's  
8 underpinning why we're doing curtailable rates. And  
9 that's more related to the Dave -- Dave Cormie's area.

10 But -- so unfortunately, I -- I have to  
11 check to see how that analysis is being done. I just  
12 have some concerns of whether or not it's done cor --  
13 correctly.

14 MR. ANTOINE HACAULT: Okay. Thank you,  
15 sir. But if we look at the overall portfolio -- if we  
16 go down to the bottom of the page, please, Diana -- we  
17 see that the overall portfolio -- that's the very last  
18 line -- the overall portfolio metric is one (1) on the  
19 RIM test, correct?

20 MR. LLOYD KUCZEK: Correct.

21 MR. ANTOINE HACAULT: If we go to the  
22 next page 3 with respect to this program, there should  
23 also be some highlighting. And this is a prospective  
24 table, correct?

25 MR. LLOYD KUCZEK: Correct.

1 MR. ANTOINE HACAULT: So from 2014/'15  
2 up to 2028/'29, Manitoba Hydro is projecting that it's  
3 going to have an annual capacity savings of somewhere  
4 in the range of 146.2 megawatts, correct, under that  
5 program?

6 MR. LLOYD KUCZEK: That's correct.

7 MR. ANTOINE HACAULT: And if we go a  
8 little bit further to the right, that translates to  
9 megawatts at generation of 160.9 megawatts, correct?

10 MR. LLOYD KUCZEK: Correct.

11 MR. ANTOINE HACAULT: And finally, if I  
12 understand this table correctly, on the issue of annual  
13 capacity savings, that program in and of itself  
14 represents 23 percent of all the capacity savings  
15 projected by Manitoba Hydro on an annual basis for all  
16 that time period.

17 MR. LLOYD KUCZEK: Correct.

18 MR. ANTOINE HACAULT: Now, if we move  
19 to the next page, please, Diana -- this one is -- gives  
20 us the history of that program and how it's performed.  
21 And at the very bottom of the page there should also be  
22 some highlighting. We can focus perhaps on the last  
23 six (6) or seven (7) columns to the right as to what  
24 the last seven (7) to eight (8) years has given us as  
25 far as annual capacity savings.

1                   For some time, it's been over 140  
2 megawatts annually which this program is giving to  
3 Manitoba Hydro as an annual savings, correct?

4                   MR. LLOYD KUCZEK:     Correct.

5                   MR. ANTOINE HACAULT:    In fact, it had  
6 gone up pretty close to 190 megawatts in some years?

7                   MR. LLOYD KUCZEK:     Correct.

8                   MR. ANTOINE HACAULT:    Now, I understand  
9 based on previous hearings that in the right-hand side  
10 there's no capacity attributed to that program. We see  
11 zeros at the very end of the table, correct?

12                  MR. LLOYD KUCZEK:     Correct.

13                  MR. ANTOINE HACAULT:    And as I  
14 understood the explanation of Manitoba Hydro, it's  
15 because there's too few participants, so there's not  
16 enough certainty with respect to that capacity?

17

18   (BRIEF PAUSE)

19

20                  MR. LLOYD KUCZEK:     No. The reason for  
21 the zero at the end is, with curtailable rates, because  
22 it's a one (1) year program, we -- the way we classify  
23 is it has to be re-earned each and every year, so you  
24 can't carry it forward, so it's related to that.

25   So it's the -- it's the same capacity

1 each and every year except the -- the value's  
2 different, whereas the other DSM programs it's  
3 aggregating onto from year to year and it gets  
4 aggregated. And you couldn't aggregate this because it  
5 is the same capacity.

6 MR. ANTOINE HACAULT: Thank you. Now,  
7 for argument's sake, if one (1) of these participants  
8 permanently left and -- the Province, one (1) of them  
9 actually would exceed these capacity savings just by  
10 the amount that would be taken off the grid as a result  
11 of that person leaving -- or that company leaving,  
12 correct, customer number 1?

13 MR. LLOYD KUCZEK: Our load reduction  
14 would -- would be -- equate to that, yes.

15 MR. ANTOINE HACAULT: Okay. So either  
16 when the customer's there we've seen many years that  
17 the annual capacity has been given, correct?

18 MR. LLOYD KUCZEK: Correct.

19 MR. ANTOINE HACAULT: And in the  
20 alternative, if the customer wasn't there it would free  
21 up about the same amount in capacity, correct?

22 MR. LLOYD KUCZEK: Correct.

23 MR. ANTOINE HACAULT: Now, there's one  
24 (1) other question, and this may be Mr. Barnlund. I  
25 maybe misunderstood, but there was a question as to

1 whether there were any requests to participate in the  
2 program.

3                   Were you able to verify your records as  
4 to whether or not there were in fact requests over the  
5 last years?

6                   MR. GREG BARNLUND:    Yes.  I had a  
7 conversation with Mr. Friesen after the conclusion  
8 yesterday.  And he advised me that there is one (1)  
9 customer that they have been in communication with,  
10 with respect to the Curtailable Rates Program.

11                   MR. ANTOINE HACAULT:    Okay.  Thank you  
12 very much, sir, for that clarification.  Now I'm going  
13 to be broaching some different subjects, and one (1) of  
14 them is going to be with respect to budgets and  
15 increased spending.  With prior panels, I think we  
16 established over the twenty (20) year IFF there's an  
17 increase in the DSM budget area of \$1.9 billion  
18 compared to the IFF13.

19                   I can take you to the reference.  It's  
20 at Appendix 3.3 and Roman numeral II.  Does that make -  
21 - it's CFF14, so in the introductory executive summary  
22 at Roman numeral II, we saw -- thank you -- we've got  
23 the third bullet down, second sentence, for the record:

24                                    "This decreases partially offset by  
25                                    higher projected capital costs for

1                   sustaining capital at \$1.9 billion,  
2                   Bipole III, one point three (1.3)  
3                   [and I made a mistake, sorry], DSM  
4                   increased by \$.9 billion."

5                   Do you see that?

6                   MR. LLOYD KUCZEK:    I do.

7                   MR. ANTOINE HACAULT:   And as I  
8 understand it, in the first ten (10) years, there's an  
9 increase of .5 billion?

10                  MR. LLOYD KUCZEK:    I'll accept that,  
11 subject to check.

12                  MR. ANTOINE HACAULT:    Okay. Now, did  
13 the DSM area look at how it would budget its spending,  
14 if instead of working with a three point nine-five  
15 (3.95) percent increase, we worked with say a three (3)  
16 percent increase?

17                  MR. LLOYD KUCZEK:    No, that's not how  
18 we operate in the DSM world.

19                  MR. ANTOINE HACAULT:    Okay. Was there  
20 any -- and here, in the last panel, I was calling it  
21 'the big bulge'. We've -- we've added half a billion  
22 dollars of capital loans or spending in the big bulge  
23 when we're going to be hit with Bipole III and hit with  
24 Keeyask.

25                  So my question to you is: Was there any

1 macro-discussion about pacing DSM spending during this  
2 big bulge period?

3 MR. LLOYD KUCZEK: No, there hasn't  
4 been. The direction we're given from government and as  
5 well as this Board is that more DSM is better. And --  
6 and so we're continuing with the long-term view in mind  
7 of capturing all economic DSM opportunities within the  
8 -- the future time frame.

9 We've had some discussions internally  
10 about some individual programs and when's the  
11 appropriate time to pursue them because there is some  
12 flexibility in doing that. Conservation rates is one  
13 (1) of them, fuel choice is another, where you can  
14 actually -- as long as you -- it depends what the --  
15 the drivers are.

16 But if the drivers are, for example,  
17 deferral generation, you -- you want to make sure you  
18 get all the opportunities that are more economic than  
19 new generation in before you have to make the decision  
20 on new generation, or at least when new generation's  
21 required.

22 If the driver is the export market, you  
23 have the option to actually defer some programs and --  
24 and -- or -- or not defer to programs. Depends on  
25 whether or not it's more economic or not.

1                   So we've thought -- had discussions  
2 about, Okay, in the short term, next couple of years,  
3 the export -- you know, you -- you're really losing  
4 some money because of that short-term nature with the  
5 prices being lower.

6                   But you can't look at it that way with  
7 DSM, as I mentioned yesterday. It's a -- it's a long-  
8 term initiative. It takes years to actually capture  
9 those opportunities. It's similar to building a  
10 generating station in that regard.

11                   You have some flexibilities to ramp up,  
12 ramp down, but once you've got the momentum going, it's  
13 similar to building a hydraulic generating station.  
14 Once you start, you might as well build it.

15                   And so there is some flexibility to pull  
16 back. Maybe there's some soft programs that you may  
17 not want to pursue because of the financial constraints  
18 within a company.

19                   So I -- I can share with you that I know  
20 some other regions have pulled back due to financial  
21 con -- constraints. And generally, they'll pull back  
22 on the softer programs but try to keep the bigger  
23 picture in mind.

24                   MR. ANTOINE HACAULT:    And -- thank you  
25 for that. If we take the perspective that was being

1 advanced by Green Action, that the current level of  
2 spending is essentially giving us new generation, am I  
3 wrong in suggesting to you that we're building a  
4 Keeyask for generation and we're building a DSM  
5 generation at the same time?

6 MR. LLOYD KUCZEK: We are. But again,  
7 when we look at our resource planning, the next new  
8 generation -- well, at one (1) time, it was twenty-  
9 seven (27), twenty-eight (28) and now we're talking  
10 thirty-five (35), and so -- or in that time frame, but  
11 that can change with the -- depending on the load.

12 So we -- if you're going to pursue those  
13 DSM opportunities, you don't want to wait till you need  
14 new generation. You want to capture them earlier,  
15 especially if that's the lower cost opportunities  
16 available to you as the Utility and customers, so.

17 MR. ANTOINE HACAULT: Okay. But as far  
18 as pacing and prioritization, as I understand it,  
19 Manitoba Hydro hasn't looked at what happens if we  
20 don't increase this spending by point nine (.9) -- or  
21 point five (.5) over the next time period when we're  
22 also being hit with that big bulge, correct?

23 MR. LLOYD KUCZEK: You -- your point is  
24 quite valid. And -- and I -- I brought up earlier,  
25 this line about, you know -- or there's -- there's an

1 interest to do more. And -- and so I thought the Board  
2 should be aware that there's a cost associated with  
3 doing that more as well. And so, you know, that gets  
4 to the point that you're talking about. And so, I -- I  
5 think a discussion has to be had around that, whether  
6 or not we are going to take that path of pursuing  
7 targets at that level that is being suggested, and  
8 whether that makes sense or not, but that's not for  
9 Manitoba Hydro to decide.

10 MR. ANTOINE HACAULT: Thank you. And  
11 if we bring back the graph that we looked at with Mr.  
12 Gange, it's also at Volume V of PUB book of documents,  
13 or you have it there from book 1. When you say there's  
14 an impact on the metrics, we see that IFF14 has  
15 increased the spending in DSM, and visually, at least  
16 from the Corporation's perspective, when we're trying  
17 to deal with various metrics, including the impact on  
18 returned earnings, I'd suggest to you we see the lines  
19 go down, and they do down a lot deeper with Manitoba  
20 Hydro 14 than if we were only spending 50 percent on  
21 DSM during that same time period.

22 Is that fair?

23 MR. LLOYD KUCZEK: That's fair. Now, I  
24 -- I don't know the context of the analysis, whether it  
25 took into account what the impacts would be of our

1 resource plan, and then whether that would be taken  
2 into account with this analysis.

3 MR. ANTOINE HACAULT: Now, I know  
4 there's been a lot of discussion about what's going to  
5 happen if and when the government creates this  
6 independent DSM entity. Has Manitoba Hydro analyzed  
7 the impact on O&M?

8 In other words, how many EFTs in  
9 Manitoba Hydro work on DSM initiatives?

10 MR. LLOYD KUCZEK: We have, and I don't  
11 have that available, but it's -- it's complex, because  
12 as I mentioned in my presentation, DSM is deeply  
13 integrated into our Organization. So what I can share  
14 with you is there's some staff that maybe only work 5  
15 percent of their time on DSM right to 100 percent, and  
16 everywhere in between. So it depends on the  
17 individual.

18 So the one (1) individual that I gave  
19 you an example of in Dauphin, his involvement in DSM  
20 might be 25 percent, maybe. And so it's all over the  
21 map, whereas in Lois's area, where the -- the staff are  
22 working on programs, it's possibly 100 percent.

23 Technical support in Dale Friesen's  
24 area, where you've got engineers working there, some of  
25 them are supporting the DSM programs, some are

1 supporting just customer service, so it varies with  
2 each individual and can vary from year to year.

3 MR. ANTOINE HACAULT: Was the  
4 Corporation able to come up with a number, assuming it  
5 happens in the next year, as to what it can shave off  
6 on O&M internal to Manitoba Hydro?

7 MR. LLOYD KUCZEK: I don't think  
8 there's going to be a savings. Well, it -- it's really  
9 just shifting the -- it's not O&M. DSM is primarily  
10 related to capital, and there is some O&M because of  
11 the marketing and advertising is O&M, but those costs,  
12 I would assume that Manitoba Hydro would still bear,  
13 because even if there's a new entity, we're -- we're as  
14 -- we're expecting that we're likely going to have to  
15 pay for those costs. So if anything, the cost will go  
16 up, because there's lost synergies, and a new entity  
17 will cost more money than having one (1) organization.

18 And -- and, you know, if -- just -- just  
19 to share with you, you know, in the industry, there's a  
20 lot of cost pressures in the electric utility industry  
21 in terms of costs going higher than -- going up by more  
22 than inflation. So utilities in regions are looking at  
23 trying to capture synergies as opposed to not.

24 Just this last year, efficiency in New  
25 Brunswick was dismantled, for example. BC Hydro

1 combined the transmission company with the -- the  
2 generation or the -- the BC Hydro utility. And then  
3 Ontario, they're talking about combining entities, as  
4 well. And its all towards trying to reduce costs.

5 MR. ANTOINE HACAULT: All right. Thank  
6 you for that, sir, but the one (1) thing you don't know  
7 so sure -- for sure is what wages are going to be paid  
8 by this independent entity, and whether or not they  
9 necessarily have to be the same wages that were being  
10 paid by Manitoba Hydro to its own internal staff,  
11 correct?

12 MR. LLOYD KUCZEK: We've been provided  
13 with some guidance that they wouldn't be negatively  
14 impacted.

15 MR. ANTOINE HACAULT: If they chose to  
16 transfer?

17 MR. LLOYD KUCZEK: Well, I -- I'm not  
18 sure on the choice part, but if -- if they move to the  
19 new entity, they would likely not be negatively  
20 impacted on a compensation basis.

21 MR. ANTOINE HACAULT: So there have  
22 been discussions, at least at a certain level, to --  
23 that's comforting, because if I was staff in DSM, I  
24 would be kind of worried about that, so that's good to  
25 hear.

1                   Moving further on the whole issue of the  
2 integration, I'd suggest to you that as -- with respect  
3 to industrial DSM, that Manitoba Hydro is uniquely  
4 positioned, because it has a whole bunch of data on  
5 demand and energy charges for the bigger users, the  
6 general service customers.

7                   Is that a fair suggestion?

8                   MR. LLOYD KUCZEK:    That applies to all  
9 our customers, actually, so we have access to our --  
10 the billing information on the residential as well so,  
11 you know, whether we're helping residential or  
12 commercial customers, it -- we do have access to that  
13 information.

14                   But specific to the larger customers, we  
15 -- we have staff that are dedicated to supporting those  
16 customers, and more focussed -- and so -- and they're  
17 there to help customers with their operations, whether  
18 it's just energy service or -- or finding ways of  
19 managing their energy bills.

20                   MR. ANTOINE HACAULT:    And can you,  
21 without naming a customer, give us an example of the  
22 type of people Manitoba Hydro might bring into solve a  
23 DSM problem for a specific industrial customer?

24                   What type of people do you get together?

25                   MR. LLOYD KUCZEK:    Well, we have our

1 key and major accounts that work directly with our  
2 customers, and they withdrew -- they with -- would draw  
3 on resources, the technical resources within our  
4 engineering services department.

5                   And so they -- we have specialists in  
6 various areas, so depending on the specific company,  
7 they would draw on the -- the resources required. And  
8 so we have -- you know, whether it's in lighting or,  
9 you know, pumps, geothermal, they're different experts.

10                   MR. ANTOINE HACAULT:    Okay.  And I  
11 think --

12                   THE CHAIRPERSON:    Mr. Hacault, I wonder  
13 if I could intervene here?  We've been at it for about  
14 an hour and forty (40) minutes, so I -- I would suggest  
15 we take a break, and we come back at about ten (10) to?

16                   MR. ANTOINE HACAULT:    Thank you very  
17 much.

18

19 --- Upon recessing at 10:38 a.m.

20 --- Upon resuming at 10:52 a.m.

21

22                   THE CHAIRPERSON:    I believe that we're  
23 ready to resume the proceedings, so Mr. -- Me. Hacault,  
24 s'il vous plait.

25

1 CONTINUED BY MR. ANTOINE HACAULT:

2 MR. ANTOINE HACAULT: Thank you. Going  
3 back to the discussion we had about the zero capacity  
4 put -- with respect to the Curtailable Rate Program,  
5 part of the explanation I understood was that it was  
6 because they're one (1) year renewable contracts.

7 Is that correct?

8 MR. LLOYD KUCZEK: That was my  
9 understanding, yes.

10 MR. ANTOINE HACAULT: Okay. This is  
11 the lawyer in me. It seems to me, you just change your  
12 contract to a multiple year contract and solve that  
13 problem.

14 Have you guys had discussions about  
15 that?

16 MR. LLOYD KUCZEK: Even this morning, I  
17 did with Mr. Miles, yes.

18 MR. ANTOINE HACAULT: But those  
19 discussions have not yet materialized in contracts with  
20 a duration of more than one (1) year?

21 MR. LLOYD KUCZEK: No. Actually, Mr.  
22 Miles and I were speaking this morning about the --  
23 just some of the potential opportunities. And that was  
24 something that -- he said he had some discussions with  
25 Mr. Friesen about earlier, so it wasn't just this

1 morning. They are talking about what -- you know,  
2 like, whether or not more can be done in terms of  
3 capturing value.

4 MR. ANTOINE HACAULT: And lengthening  
5 the term of the agreement would be a way to achieve  
6 having more value for Manitoba Hydro out of that  
7 program, correct?

8 MR. LLOYD KUCZEK: That's correct --

9 MR. ANTOINE HACAULT: Okay.

10 MR. LLOYD KUCZEK: -- potentially. You  
11 know, I'd leave that to Mr. Miles to figure out whether  
12 or not -- and how we can structure a contract so that  
13 he could capture that value.

14 MR. ANTOINE HACAULT: Now, my  
15 information, without disclosing names, is that there  
16 was actually more than one (1) of the MIPUG members  
17 which showed additional interest in -- in this program.  
18 You don't have any information with respect to that,  
19 Mr. Barnlund, apart from what I might have told you?

20 MR. GREG BARNLUND: No, sir, I don't  
21 personally.

22 MR. ANTOINE HACAULT: Okay. Now, when  
23 we broke, I was having a discussion with respect to the  
24 services that Manitoba provides on an integrated basis,  
25 an individualized basis to various general service

1 large customers, including the MIPUG members.

2 Has the Corporation thought whether it's  
3 even possible to give the highly individualized help  
4 which Manitoba Hydro gives to industrial customers if  
5 there's an independent DSM entity?

6 How is it going to hire all these  
7 engineers and other people that need to be involved to  
8 prepare an individualized program?

9 MR. LLOYD KUCZEK: No, because we don't  
10 know what the government's going to do at this point,  
11 so it's hard for -- we -- we don't want to speculate.  
12 So what we're doing is we're continuing on as business  
13 as usual and -- and providing, if asked, with some  
14 information or any information they require to make  
15 their decisions.

16 MR. ANTOINE HACAULT: Thank you. Now,  
17 you've indicated that Hydro possesses specific and  
18 commercially confidential information.

19 And I would suggest that within the  
20 industrial group, that's even more acute with respect  
21 to some customers who are competing against each other  
22 in this province?

23 MR. LLOYD KUCZEK: Yes, that's another  
24 area. I didn't mention it, but, yes, we -- we  
25 recognize that would be a big challenge for the

1 customers as well as the entity in terms of how that  
2 would -- could possibly be done.

3 MR. ANTOINE HACAULT: So Manitoba Hydro  
4 is able to deal with that issue by having separate  
5 employees deal with those separate clients, so that  
6 even within Manitoba Hydro, there is a set of  
7 confidential walls that are put up as between those two  
8 (2) competing accounts.

9 Is that correct?

10 MR. LLOYD KUCZEK: Yes, our -- our  
11 staff are very conscious of the confidential nature of  
12 the information that they have. And over the years,  
13 they've developed the -- the trust with our customers,  
14 and we realize that and value that, and so that does go  
15 a long way. So you -- you do have to earn that trust.  
16 And we certainly don't want to lose that, so we're very  
17 careful with the information provided to us.

18 MR. ANTOINE HACAULT: Now, am I also  
19 correct that industrial DSM would be part of the  
20 Manitoba Hydro decision-making process with respect to  
21 matters such as connection sizes, which can't easily be  
22 outsourced?

23

24 (BRIEF PAUSE)

25

1 MR. LLOYD KUCZEK: I'm not sure I  
2 understand the outsourcing part.

3 MR. ANTOINE HACAULT: Well, the  
4 outsourcing would be putting it to an independent DSM  
5 entity as opposed to Manitoba Hydro dealing with all  
6 those capacity and connection sizes and just general  
7 planning for the industrial customers.

8 MR. LLOYD KUCZEK: We don't see doing  
9 that. I -- I don't think that would make any sense.  
10 That's part of the -- the core business for the  
11 Utility.

12 MR. ANTOINE HACAULT: Yeah, but it's  
13 integrated when you're starting to make DSM decisions.  
14 If you're adding a big self-generation, for example,  
15 you're going to have to do a whole bunch of decisions  
16 with respect to when that power gets interrupted, how  
17 the connection switches get put together, et cetera,  
18 correct?

19 MR. LLOYD KUCZEK: Yes. And the other  
20 thing that I would suggest is -- and probably important  
21 to note is really to capture the value. Even with load  
22 displacement, you have to understand not just the  
23 business, but you have to understand Manitoba Hydro's  
24 business and where the value is.

25 You know, that we talked about the long-

1 term contracts, but it's more than that. One (1) of  
2 the contracts that we're looking at structuring right  
3 now with one (1) of the customers in terms of load  
4 displacement, it gets into a lot of detail about the --  
5 the curtailment, or if the generation isn't available,  
6 and what the implications would be.

7                   But it's all linked into what the value  
8 is to Manitoba Hydro, and -- and what the implications  
9 and risks would be to us as well. So you -- it really  
10 has to go hand in hand when it comes to load  
11 displacement, I think.

12                   MR. ANTOINE HACAULT: Thank you. Now,  
13 on slide 49 of the slide deck that your panel put up --  
14 it's Manitoba Hydro Exhibit 67, so slide 49 -- there  
15 was an indication and an explanation, I think by you,  
16 Mr. Kuczek, with respect to demand response options in  
17 other jurisdictions.

18                   Can you advise which other jurisdictions  
19 Manitoba Hydro considered at this point?

20

21                   (BRIEF PAUSE)

22

23                   MR. LLOYD KUCZEK: Well, the process is  
24 on your way currently looking in the Ontario market,  
25 the east, and -- and throughout the United States as

1 well, eastern United States, particularly.

2 MR. ANTOINE HACAULT: So when you say  
3 it's under process, have you actually identified demand  
4 response options which might work in Manitoba?

5 MR. LLOYD KUCZEK: No. I think the  
6 initial steps that we're taking is to assess what is  
7 being offered elsewhere, just to get some ideas of what  
8 those programs might -- or get a better idea, I guess,  
9 because we have some idea -- but to undertake a more  
10 comprehensive review of the -- the programs being  
11 offered elsewhere so that we don't miss anything in our  
12 discussions with the -- your customers.

13 MR. ANTOINE HACAULT: Do you have any  
14 sense of the timeline over which that's to occur? Is  
15 it over the next year, or...?

16 MR. LLOYD KUCZEK: It certainly can be  
17 done within a year, maybe earlier. So it's in that  
18 time frame, anyways.

19 MR. ANTOINE HACAULT: Okay. The next  
20 bullet says, "Needs to be a win-win situation." And  
21 there was a discussion earlier on in the hearing that -  
22 - I think it was Mr. Cormie talked about the upside and  
23 the downside.

24 And you'll have to accept my apology.  
25 I'm not too sure with some of these programs what we're

1 talking about when we talk about the downside. And  
2 I'll just give you one (1) example of a program, and  
3 that may not help understand at all.

4                   But if there was good export prices at a  
5 peak season, and -- and Manitoba Hydro could get, you  
6 know, say, twenty (20) cents, it seems to me that if  
7 Manitoba Hydro calls one (1) of the big industrials and  
8 says, Well, listen, do you want to share in that? You  
9 win, I win, we both win, Manitobans win, and you win.  
10 We've got a win/win situation.

11                   I'm not too sure what the downside in  
12 these demand respond options would be?

13                   MR. LLOYD KUCZEK: Yeah, so -- so those  
14 are -- that's a program I'm actually -- was somewhat  
15 familiar with when I used to sell power in the export  
16 market. And so when the market was deregulated, the  
17 prices swung quite a bit in the market. And so some US  
18 utilities in the Minnesota region certainly offered  
19 some programs and worked with their customers to  
20 capture value because of those opportunities.

21                   And I did recall talking to Mr. Cormie  
22 about whether or not we could, but I know there's  
23 certain constraints, of course, is the transmission  
24 constraints and whether or not we have additional  
25 capacity available on the lines to capture that. So

1 that was one (1) of the big ones back then.

2 Today -- I -- I mean, we certainly have  
3 to discuss it -- or we should be discussing and  
4 exploring it, but I think those opportunities are more  
5 limited, but they still might be there.

6 MR. ANTOINE HACAULT: Can you -- is  
7 there anything that comes to mind as to what might be  
8 the downside versus upside if -- in a demand response  
9 option?

10 MR. LLOYD KUCZEK: Sure. You know,  
11 when I was talking about it, what I was referring to is  
12 providing a -- a program to, say, one (1) particular  
13 customer, and Manitoba Hydro really not realizing a  
14 value associated with that program, and then therefore  
15 your other customers would have to pay for it.

16 So the downside -- at the end of the  
17 day, I mean, we're working for the customers anyways,  
18 so somebody has to pay for it, so that would be the  
19 downside -- downside of potentially offering a program  
20 if the value wasn't really there that we were offering  
21 a particular customer.

22 MR. ANTOINE HACAULT: So the downside  
23 is the staff costs and overhead cost related to that  
24 staff?

25 MR. LLOYD KUCZEK: I was thinking more

1 along the lines of the monetary value we might offer  
2 that customer for -- for being in a program and not  
3 capturing that value as the Utility.

4 MR. GREG BARNLUND: Mr. Hacault, if I  
5 might add, I think that there's a downside from the  
6 customer's perspective, too. I mentioned yesterday  
7 that -- that in terms of the appropriate notice period  
8 we may need, the duration of a curtailment, and the  
9 frequency of the curtailment, we may have a requirement  
10 that a customer simply cannot bear the risk of the  
11 frequency of curtailments, or a very, very short notice  
12 period, or a duration of curtailment that we may be  
13 requiring.

14 And so that's why we really need to have  
15 input from the customers in terms of how they operate  
16 their business and what criteria would they set for us  
17 in terms of the parameters with regards to those  
18 particular aspects?

19 MR. ANTOINE HACAULT: Thank you for  
20 that answer. I'm moving to a different subject, and  
21 it's the --

22 THE CHAIRPERSON: Me. Hacault, could I  
23 -- could I ask a few questions before you go --

24 MR. ANTOINE HACAULT: Sure.

25 THE CHAIRPERSON: -- to the next --

1 next item? And this is in relation to the discussion  
2 we've just had -- or you've just had with Mr. Kuczek,  
3 regarding EFTs and EFTs associated with the DSM  
4 program.

5 Now, I understand the response was that,  
6 you know, there's people that work 5 percent of the  
7 time, others that work 100 percent of the time, but the  
8 reality is, we have -- we have -- you have an ETF --  
9 EFT count based on your costs for each year that are  
10 attributed to the DSM program.

11 Am I -- am I not correct? Perhaps it's  
12 a question for Mr. Rainkie, but each year, you  
13 attribute a cost of DSM in your financial statements,  
14 and based on a -- a number of data you collect, and one  
15 (1) of the data would be the EFTs that are associated  
16 to the DSM program for that year.

17 So -- so that -- there was a number  
18 available for EFTs?

19 MR. LLOYD KUCZEK: I guess there's some  
20 calculation that adds up those partial involvements of  
21 employees. So I -- I guess I didn't really answer the  
22 question in terms of how many EFTs, and I don't know  
23 that number off the top of my head, but fifty (50) to  
24 sixty (60), in that range, possibly more, ninety (90).  
25 How many, ninety (90)?

1 (BRIEF PAUSE)

2

3 MR. LLOYD KUCZEK: Oh, Ms. Morrison, is  
4 suggesting it's closer to a hundred (100).

5 THE CHAIRPERSON: Now, that data is  
6 available in the supporting material to this rate  
7 application, isn't it?

8

9 (BRIEF PAUSE)

10

11 MR. LLOYD KUCZEK: Would you like it  
12 provided?

13 THE CHAIRPERSON: I think that since  
14 we've raised the topic, I think we'd -- you know, we'll  
15 just make sure the information is made available to the  
16 parties, if you don't mind.

17 MR. LLOYD KUCZEK: Manitoba Hydro will  
18 undertake to provide that -- the equivalent EFTs  
19 involved with DSM.

20

21 --- UNDERTAKING NO. 60: Manitoba Hydro to provide  
22 the equivalent EFTs  
23 involved with DSM

24

25 CONTINUED BY MR. ANTOINE HACAULT:

1 MR. ANTOINE HACAULT: Thank you. As  
2 far as energy is concerned, I would suggest to you that  
3 it is not only electricity rates that impact industrial  
4 users which operate internationally and have to compete  
5 internationally.

6 MR. GREG BARNLUND: I would agree with  
7 that.

8 MR. ANTOINE HACAULT: Okay. And for  
9 some users in the last years at least fossil fuels,  
10 especially in the United States, are a very competitive  
11 alternative source, and sometimes even cheaper than  
12 electric rates, correct?

13 MR. GREG BARNLUND: I would say that's  
14 correct, yes.

15 MR. ANTOINE HACAULT: Has Manitoba  
16 Hydro done a study of the international electricity  
17 rates which includes program incentives for major  
18 general service users?

19 MR. GREG BARNLUND: No, sir, we haven't  
20 done a comprehensive study in that regard, and I -- I  
21 would just take a second to elaborate on the  
22 differences between rates and the situation faced with  
23 Man -- within Manitoba versus other jurisdictions. And  
24 there was earlier mention of Ontario for example, and  
25 the eastern United States.

1                   In those jurisdictions, the electric  
2 industry has been significantly restructured.  
3 Generation and transmission have been separated from  
4 distribution. Industrial customers are load entities  
5 in those jurisdictions. They function like an LDC.  
6 They function like a large consumer that is able to  
7 nominate its load and adjust its load to be able to  
8 take into consideration any incentives that may exist  
9 for demand response, or for load shaping.

10                   And so that is the environment in which  
11 they operate. Quite often, the arrangements that they  
12 may have in place, or the programs that they may avail  
13 themselves of, are not -- the information associated  
14 with those may not be as transparent as you'd like.

15                   So we wouldn't know what the total  
16 landed cost of energy is for a given type of load in a  
17 given jurisdiction because there are certain -- there's  
18 certain information and certain variables that would be  
19 publicly available, but then access to some of these  
20 programs may not be -- it may not be that apparent, and  
21 may not be easy to obtain that information.

22                   So it is extremely difficult to be  
23 bench-marking programs, if you would, between the two  
24 (2) jurisdictions. Where that brings us, you know,  
25 within looking at programs in Manitoba is again to be

1 able to look at the specific requirements of the  
2 customer base, the industrial customer base we have,  
3 and look at the opportunities we may have in terms of  
4 managing overall system demand, and be able to create  
5 solutions that are appropriate for our needs, and for  
6 the customers' needs.

7           So while an examination of the options  
8 that are available in other jurisdictions may be  
9 interesting, it may not fully inform what we ought to  
10 do here within Manitoba.

11           MR. ANTOINE HACAULT:    Thank you very  
12 much.  Do I take it then that Manitoba Hydro, and this  
13 is going to one of Dr. Grant's questions on it,  
14 elasticity, has not been able to fully analyze the  
15 potential impact of 43 percent increase over ten (10)  
16 years on corporate decisions in Manitoba?

17           MR. GREG BARNLUND:    I -- I am taking  
18 from that question that:  Are we looking at the broader  
19 socioeconomic impacts?  I -- I believe that's what  
20 you're asking.

21           We have not done a socioeconomic impact  
22 analysis going down the road.  Our analysis is based on  
23 our internal financial requirements, the cost that we  
24 expect to see the Utility incur over the upcoming  
25 years, and the related rate increases that we would

1 require to be able to fund the investments and maintain  
2 our operations.

3 MR. ANTOINE HACAULT: So if I break it  
4 down into little pieces, as I understand it, you  
5 haven't asked the top consumers what this 43 percent  
6 increase over ten (10) years would do to any expansion  
7 plans that they may have had?

8 MR. GREG BARNLUND: I don't believe we  
9 specifically had those discussions. However, I would  
10 note that customers in Manitoba have a somewhat unique  
11 situation in that they do have visibility going forward  
12 in terms of the planned schedule of Manitoba Hydro's  
13 rate increases.

14 That information is obviously public  
15 information through these rate hearings. It is not  
16 commonly found in other jurisdictions that you will  
17 have that amount of visibility. Very clearly in other  
18 jurisdictions, most utilities function on a year-over-  
19 year basis, on a rate-base rate-of-return regulation,  
20 and customers have no visibility or no valuable  
21 information as to what utility rates will be like  
22 beyond one (1) or two (2) test years in a utility's  
23 filing.

24 MR. ANTOINE HACAULT: Okay. Do I take  
25 it also then that Manitoba Hydro has not asked its top

1 consumers what impact, if any, the 43 percent  
2 cumulative rate increase over ten (10) years would have  
3 on whether Manitoba operations continue -- continue to  
4 be competitive with operations in other jurisdictions?

5 MR. GREG BARNLUND: Could you just give  
6 me a second, please?

7

8 (BRIEF PAUSE)

9

10 MR. GREG BARNLUND: Thank you. I'm  
11 told that we've had some, through way of our general  
12 interaction with our large customers, that these are  
13 conversations that have been had, but I'm not sure that  
14 there's been any specific that I -- any further  
15 specifics I can share with you with regards to that.

16 MR. ANTOINE HACAULT: Okay, thank you.  
17 Now, you talked about socioeconomic impact and not  
18 having done that analysis. But I take it that if some  
19 of this big industrial load was lost based on current  
20 opportunity markets there would be an adverse impact to  
21 Manitoba Hydro on its overall revenues, correct?

22 MR. GREG BARNLUND: It's conceivable  
23 that there -- well, I should say that it's hard to  
24 quantify that impact and -- and it depends on the rate  
25 design that we would be employing and it depends on the

1 respective pricing levels in the opportunity market.  
2 So short-term, there could be impacts. Longer term,  
3 it's more difficult to say.

4 MR. ANTOINE HACAULT: But it's fair to  
5 say, sir, that industrial load over the last years has  
6 been a good load for Manitoba Hydro and for ratepayers  
7 generally, correct?

8 MR. GREG BARNLUND: Without question.  
9 I -- I don't mean to diminish the value of the  
10 industrial customer base that we serve. It is  
11 important to us. It's a significant component of our  
12 revenues, definitely.

13 MR. ANTOINE HACAULT: And this is,  
14 subject to checking my notes, the last little subject  
15 that I'm going to be dealing with, so everybody will be  
16 -- thank you very much for having responded so  
17 cooperatively to my questions.

18 I just need to understand a bit better  
19 how DSM programs are amortized. I mean, we see the  
20 capital cost of half a billion dollars being added over  
21 the next ten (10) years. Could you maybe take it in  
22 small bites?

23 Are all programs amortized the same way?

24 MR. GREG BARNLUND: The -- the costs  
25 that incurred for DSM programming are deferred. So as

1 we undertake programs in a given year, those costs are  
2 essentially capitalized.

3                   They will be amortized over a ten (10)  
4 year period. So not in the current year that the  
5 program is being delivered, but in a following year,  
6 the amortization of that program cost will begin to  
7 flow to rates.

8                   And so over a ten (10) year period, for  
9 every dollar that we invest in a program in a given  
10 year, there'll be -- ten (10) cents of that cost will  
11 begin to be recovered from customers by way of rates.

12                   MR. ANTOINE HACAULT: And is that the  
13 corporate -- Corporation's view then that in that way  
14 it captures the shorter-term programs and the longer-  
15 term programs? Because I've heard some programs having  
16 value for like thirty (30) years.

17                   MR. GREG BARNLUND: The issue of the  
18 amortization period has been debated in front of this  
19 Utilities Board on a number of occasions. And, for  
20 example, on the gas side of the business, the  
21 amortization period has varied between five (5) and ten  
22 (10) years.

23                   And so I think that, taken in total, the  
24 benefits that are driven by DSM are considered to be  
25 long-term benefits. And, as such, the appropriate

1 amortization period is longer term.

2           So you look at the DSM programming in a  
3 pool and you look at the fact that you have some that  
4 are shorter-term programs and some that are much  
5 longer-term programs. But you accumulate those  
6 together and you would select an amortization period  
7 that seems reasonable.

8           And the decision that's been arrived at  
9 in front of this Board in the past is that ten (10)  
10 years is a reasonable amortization period for those  
11 costs.

12           MR. ANTOINE HACAULT: Okay. So if I  
13 can break it down a bit further -- and I know this is -  
14 - is not specific to the financials -- but on average,  
15 because we know spending doesn't necessarily occur  
16 according to budgets, we're planning on spending about  
17 \$50 million a year more in IFF14 for the -- each year  
18 over the next ten (10) years.

19           Do I have that right?

20           MR. GREG BARNLUND: Subject to check,  
21 yes, I'll accept that.

22           MR. ANTOINE HACAULT: So that in the  
23 first year after the first \$50 million has been spent,  
24 there would be 10 percent of that 50 million that would  
25 hit the books.

1 MR. GREG BARNLUND: Roughly speaking,  
2 yes, yes.

3 MR. ANTOINE HACAULT: So in my example,  
4 that might be around a \$5 million hit to the books in  
5 that following year, correct?

6 MR. GREG BARNLUND: I would accept that  
7 as an example, sure.

8 MR. ANTOINE HACAULT: And because the  
9 \$50 million continues to be added to that pot, by the  
10 time you hit the end of the ten (10) years, you'd still  
11 be amortizing the first 50 million, correct?

12 MR. GREG BARNLUND: That would be the  
13 last year of that amortization, correct.

14 MR. ANTOINE HACAULT: And you'd be  
15 amortizing each of the other tranches of \$50 million,  
16 correct?

17 MR. GREG BARNLUND: That's correct,  
18 sir.

19 MR. ANTOINE HACAULT: So the impact to  
20 the books accelerates from 5 million in the first time  
21 it hits the books in my example pertaining to that  
22 increase, correct?

23 MR. GREG BARNLUND: Understanding that  
24 other DSM programming costs will be fully amortized  
25 through that period of time and will start dropping

1 off. So there is -- there is a plus and a minus, and I  
2 can't quantify what that is for you.

3 MR. ANTOINE HACAULT: But -- well, the  
4 reason I was getting into this questioning is I've been  
5 pressing the Corporation quite a bit on pacing and  
6 prioritization. And the impact that I'm discussing  
7 right now is the Corporation's decision, discretionary  
8 decision, to increase DSM by another half a billion  
9 dollars over the next ten (10) years.

10 So are you following me so far?

11 MR. GREG BARNLUND: Yes.

12 MR. ANTOINE HACAULT: Okay. So the  
13 decision of the Corporation to pace DSM in the way it  
14 is over the next ten (10) years, at least with respect  
15 to that increase, is going to be compounding itself by  
16 -- so that by the time we hit year 10, there's about  
17 \$50 million that's going to be hitting the books with  
18 respect to this added initiative, correct?

19 MR. GREG BARNLUND: That's correct,  
20 yes.

21 MR. ANTOINE HACAULT: Thank you. Those  
22 are all my questions.

23 THE CHAIRPERSON: Merci, Me. Hacault.  
24 I will now turn the microphone over to you, Mr. Orle.

25 MR. GEORGE ORLE: Thank you, Mr. Chair,

1 members of the panel. In deference to the -- the time  
2 restraints that we have, I'd like to -- to indicate to  
3 the Board that I will not be going through a number of  
4 the -- the questions that I originally had.

5                   And the reason for that is the  
6 suggestion I had from Board counsel that the  
7 Information Requests are part of the record, are  
8 available to be used for evidence, and we are going to  
9 rely upon not only our own Information Requests, but  
10 there were also a number of Coalition ones along with  
11 MKO. And there's been a number of answers to MMF  
12 requests that are appropriate and relevant to First  
13 Nations, and we will be relying on those.

14                   So I just bring that up so that no one  
15 feels that because we haven't asked the question, that  
16 it hasn't been a concern, and we will deal with those  
17 in our final presentation.

18

19 CROSS-EXAMINATION BY MR. GEORGE ORLE:

20                   MR. GEORGE ORLE: Diana, if you could  
21 first bring up Manitoba Hydro Exhibit number 45 and  
22 page 4? And again, I'll -- I'll direct these questions  
23 to -- to the panel and anyone that wishes to answer,  
24 I'll -- I'll welcome the -- the answer from them, and  
25 it's with respect to the third paragraph on page 4, the

1 letter from the Minister to Hydro.

2                   And I'll -- I'll just paraphrase and --  
3 and bring it down, the -- the third paragraph indicates  
4 that Manitoba Hydro is to oversee a special priority  
5 initiative to development and implement, without delay,  
6 enhancements to DSM programming. And then it goes on  
7 to identify the persons that are to be benefiting from  
8 this enhancement to DSM. And the last part of it is  
9 customers presently excluded from eligibility due to  
10 overdrawn accounts.

11                   My understanding of the -- of the  
12 presentation is that of the DSM programs, the only one  
13 (1) that has been available now to -- to customers that  
14 are in arrears is the basic insulation initiative.

15                   Am I correct in that?

16                   MS. COLLEEN GALBRAITH: Good morning.  
17 No, sir, you are not correct. All of our incentive-  
18 based programs are available to any customer, whether  
19 they're in arrears or not. We've enhanced our First  
20 Nations Power Smart Program, of -- of which I believe  
21 you're referring to, to provide basic energy efficiency  
22 measures to all homes in First Nation communities who  
23 are not going to be receiving insulation upgrades.

24                   MR. GEORGE ORLE: Okay. Then the Pay  
25 As You Save Program, I understand that's not available

1 to customers in an arrears that have not made  
2 arrangements for payment?

3 MS. LOIS MORRISON: That is correct.  
4 However, customers who do enter into arrangements with  
5 us to pay down those arrears may -- and bring those  
6 current -- accounts current can participate in the  
7 program. The -- as Mr. Chard referenced, we try very  
8 hard to enter into payment arrangements that are  
9 reasonable and manageable for our customers. We want  
10 to see success, so we do try to be accommodating in  
11 terms of those programs.

12 MR. GEORGE ORLE: I believe your answer  
13 to one (1) of the other questions in regards to that  
14 program was that the reason that you required them to  
15 make a payment was because the savings directly came to  
16 them on the bill, and that you wanted to have part of  
17 those savings applied to the -- to the arrears?

18

19 (BRIEF PAUSE)

20

21 MS. LOIS MORRISON: No, I believe what  
22 I had explained was that in regards to the Power Smart  
23 residential loan, the majority of the measures that are  
24 undertaken under that initiative, the cost of the  
25 project is greater than the savings that the customer

1 will realize. And therefore, their overall bill will  
2 be higher. And if the person is experiencing  
3 challenges today in paying that bill, that increasing  
4 the bill for them would increase their challenges.

5                   And if that cust -- we would be better  
6 off in that situation that if that customer would  
7 potentially qualify for our Affordable Energy Program,  
8 to instead refer them to the Affordable Energy Program  
9 and help them manage their bill through increased  
10 insulation, possibly a furnace upgrade, and a -- other  
11 measures that can be installed to reduce their bill.

12                   MR. GEORGE ORLE: In respect to those  
13 types of programs, the information we've had is that --  
14 my clients in particular, that there's very high  
15 amounts of arrears and inability to pay.

16                   How would they fit into the Affordable  
17 Energy Program with respect to not having any funds  
18 available to pay bills, and to be able to have things  
19 such as furnaces or other major improvements made to  
20 their homes?

21                   MS. COLLEEN GALBRAITH: The -- apart  
22 from the provision for the low-cost furnace, all  
23 measures offered under the Affordable Energy Program  
24 are free to participating customers. So they would be  
25 benefiting from reduced utility bills through the free

1 measures that we do provide.

2 MR. GEORGE ORLE: Okay. And those  
3 measures are not requiring any sort of payment on  
4 arrears in order to be available to them?

5 MS. COLLEEN GALBRAITH: That is  
6 correct. Regardless of arrears, a customer can  
7 participate in the Affordable Energy Program.

8 MR. GEORGE ORLE: Hydro Exhibit number  
9 67, which is the load DSM and rates panel presentation,  
10 refer to page 34.

11

12 (BRIEF PAUSE)

13

14 MR. GEORGE ORLE: My notes are that in  
15 discussing the First Nation insulation initiative,  
16 there was an indication that this was applicable to  
17 qualified homes.

18 And I wonder if someone could tell me  
19 what -- what a qualified home is?

20 MS. COLLEEN GALBRAITH: Certainly. So  
21 what we do is we look at the existing insulation levels  
22 in the attic. So we're looking for anything that's R30  
23 or less. We would top it up to R50. We're also  
24 assessing the basement, or foundation and crawlspace.  
25 So if there's no insulation, then we will top it up to

1 an R-value of twenty-four (24).

2 We also are looking at walls, but we've  
3 actually found in our experience that First Nation  
4 homes have adequate insulation within in the walls.

5 MR. GEORGE ORLE: Okay. And those are  
6 the only qualifications that are required to -- to take  
7 part in that program?

8 MS. COLLEEN GALBRAITH: I'm sorry.  
9 Could you please elaborate on what you mean by  
10 qualifications?

11 MR. GEORGE ORLE: Is there any  
12 qualification in respect to the actual condition of the  
13 home, so that if it's a home that is, say, an older  
14 home or a home that might not get that much of a  
15 benefit from an insulation program, whatever, are those  
16 homes still entitled to it, even though it may have a  
17 minimal impact upon the energy savings?

18 MS. COLLEEN GALBRAITH: Sorry, our  
19 First Nations Power Smart Program follows Power Smart  
20 standards, and those are the guidelines that we do fall  
21 within. If an existing customer does have insulation,  
22 then they are receiving some benefit of already reduced  
23 utility bills.

24 MR. GEORGE ORLE: Okay.

25

1 (BRIEF PAUSE)

2

3 MR. GEORGE ORLE: In answer to MKO and  
4 Manitoba Hydro Question 1 Round 1, we -- we asked for  
5 the number of residential customers in -- in the MKO  
6 First Nations, and the tally that I had from -- from  
7 that answer was eight thousand five hundred and ninety-  
8 nine (8,599) residential customers.

9 I take it that, subject to check, you'll  
10 -- you'll take my arithmetic on that calculation  
11 because there wasn't a total on the graph?

12 It sounds correct?

13 MS. COLLEEN GALBRAITH: Yes, subject to  
14 check, I'll accept.

15 MR. GEORGE ORLE: Yeah. And when I  
16 take a look at page 35 of -- of the -- of the exhibit  
17 talking about the insulation initiative, it appears  
18 that you're projecting up to the period of 2020/'21  
19 approximately three thousand forty-three (3,043) homes  
20 that'll have fallen under that program?

21 MS. COLLEEN GALBRAITH: That is  
22 correct. It's based on our estimates to date.  
23 However, I did indicate yesterday during the  
24 presentation that through our dedicated First Nations  
25 energy advisor, if we do find or identify additional

1 homes that do require insulation, we will insulate  
2 them, as well.

3 MR. GEORGE ORLE: And the num -- the  
4 number of homes that you show on this, this is for all  
5 First Nations in Manitoba?

6 MS. COLLEEN GALBRAITH: This is  
7 depictive of the sixty-three (63) First Nation  
8 communities in the Province of Manitoba.

9 MR. GEORGE ORLE: And can you tell me,  
10 broken down on the eight thousand five hundred and  
11 ninety-nine (8,599) residential customers in the MKO  
12 area, how many of those homes will be completed under  
13 that program by 2020?

14 MS. COLLEEN GALBRAITH: Are you  
15 referring to those individuals residing in First Nation  
16 reserves?

17 MR. GEORGE ORLE: Correct. Not First  
18 Nation reserves, the MKO reserves.

19 MS. COLLEEN GALBRAITH: If you're  
20 referring to homes off site of the communities, then I  
21 cannot speak to that. This is targeting the individual  
22 -- pardon me, the sixty-three (63) First Nation  
23 communities. Any resident off reserve is eligible  
24 under the Affordable Energy Program, and then that's  
25 where the targets would fall into place.

1 MR. GEORGE ORLE: Okay, my -- my  
2 question is specifically to that. The -- the  
3 indication that we had in answer to the question is  
4 that there's eight thousand five hundred and ninety-  
5 nine (8,599) residential customers on the reserves  
6 served by MKO.

7 And I'm asking if you know how many of  
8 those homes, those residential customers, will have  
9 been covered under the -- under the insulation plan by  
10 2020?

11

12 (BRIEF PAUSE)

13

14 MS. COLLEEN GALBRAITH: Sorry, if  
15 you'll just give me one (1) more moment?

16

17 (BRIEF PAUSE)

18

19 MS. COLLEEN GALBRAITH: I can provide  
20 that number, but, unfortunately, do not have it readily  
21 available. So Manitoba Hydro will undertake to obtain  
22 that number.

23 MR. GEORGE ORLE: Okay, thank you.

24

25 --- UNDERTAKING NO. 61: Manitoba Hydro to provide

1                   how many residential  
2                   customers will have been  
3                   covered under the  
4                   insulation plan by 2020

5

6 CONTINUED BY MR. GEORGE ORLE:

7                   MR. GEORGE ORLE:    When I take a look at  
8 slide number 35, again, I -- I note that in the first  
9 six (6) years in the program, your participation level  
10 came to fifteen hundred (1,500) homes, and that you're  
11 projecting a -- an increase of approximately the same  
12 amount or an additional amount of homes equivalent over  
13 the next six (6) years as to what you had in  
14 participation in the first six (6) years?

15                  MS. COLLEEN GALBRAITH:   That is  
16 correct.

17

18   (BRIEF PAUSE)

19

20                  MR. GEORGE ORLE:    This question's for -  
21 - for Ms. Morrison, and it relates back to some  
22 information that we had at the NFAT hearings, and that  
23 was the -- the ability of residents in the gas served  
24 areas to be able to -- to switch from electricity to  
25 gas and that there was a -- a very high savings that

1 was available to them.

2 Do you recall that -- that evidence from  
3 the NFAT?

4 MS. LOIS MORRISON: Yes, I believe  
5 we've testified both at NFAT and during this hearing  
6 that customers who are close to natural gas or readily  
7 can access it can save a significant portion of their  
8 energy bill by converting to a natural gas.

9 MR. GEORGE ORLE: Okay. And as far as  
10 my clients are concerned, MKO, there's really no way  
11 that that type of saving will be made available to them  
12 at any time over the next twenty (20) years?

13 MS. LOIS MORRISON: You are correct in  
14 that in order to extend natural gas service to those  
15 communities, it would be very cost -- costly.

16 MR. GEORGE ORLE: Yes. So that's one  
17 (1) measure that they -- they certainly won't be able  
18 to avail themselves of to reduce their rates or to  
19 mitigate their rates?

20 MS. LOIS MORRISON: At this time? No.  
21 However, as we've mentioned earlier tod -- in the  
22 proceedings, we are -- we did file or apply to the --  
23 with Natural Resources Canada for funding to help  
24 support bringing natural gas to The Pas, of which OCN  
25 is -- would be adjacent.

1 MR. GEORGE ORLE: Yes. That's one (1)  
2 community out of the thirty (30) that MKO represents.  
3 They -- they may be the only ones, potentially, that  
4 might have that ability.

5 Is that correct?

6 MS. LOIS MORRISON: That is correct.

7 MR. GEORGE ORLE: Is there any other  
8 plan within the -- the current DSM programs that would  
9 allow any of the clients that I represent in MKO to  
10 obtain the same level of rate reduction as a fuel  
11 switch?

12

13 (BRIEF PAUSE)

14

15 MS. LOIS MORRISON: Under a -- a few of  
16 our programs, we are exploring additional opportunities  
17 for customers with electric heat to reduce their energy  
18 consumption.

19 Mr. Kuczek testified earlier to the  
20 initiatives under our community geothermal program,  
21 which we have partnered with the AKI Energy to deliver.  
22 Those offer potential energy savings and energy  
23 reductions for the customer.

24 We are also, as Mr. Kuczek testified,  
25 looking at other alternatives, such as the cold climate

1 air source heat pumps, and in discussions with  
2 individual communities, creating an energy plan for  
3 those communities.

4 So in terms of opportunities from the  
5 energy-efficiency side, that's where we're looking, and  
6 we are open to new technologies and looking for other  
7 areas that may be available as we go forward.

8 MR. GEORGE ORLE: But in so far as,  
9 say, the next three (3) to four (4) years are  
10 concerned, the geothermal is the only one available  
11 right now that might produce comparable savings?

12 MR. LLOYD KUCZEK: Let me just add to  
13 that. Even with geothermal and air-source heat pumps,  
14 you're not going to see the same level of savings as  
15 fuel switching from natural gas -- or electricity to  
16 natural gas.

17 MR. GEORGE ORLE: Thank you, Mr.  
18 Kuczek. I appreciate that.

19 MR. LLOYD KUCZEK: When I talk about  
20 geothermal, I'm including the financing, of course. So  
21 if you look at the -- just the operating cost, that  
22 would be different. There is substantial savings.

23 MR. GEORGE ORLE: Okay. Thank you.  
24 Those are all the questions that I have.

25 THE CHAIRPERSON: Thank you, Mr. Orle.

1                   Mr. Masi, were you prepared to ask --  
2 ask questions of these -- of this panel?

3

4                                   (BRIEF PAUSE)

5

6                   MR. TOMAS MASI:    I believe, Mr.  
7 Chairman, that Mr. Williams is actually next.  I  
8 apologize.

9                   THE CHAIRPERSON:    I'm sorry.  Mr.  
10 Williams, are you in a position to -- to commence your  
11 questioning?

12                   MR. BYRON WILLIAMS:    Certainly, I can.  
13 I'll note my client is coming for 1:00, so I'll -- but  
14 I'm happy to proceed, and I'll just kind of try and  
15 avoid the -- the stuff that she may wish to hear more  
16 focus on.

17

18 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

19                   MR. BYRON WILLIAMS:    And perhaps if I  
20 can ask -- and I'll just indicate schedule-wise, Mr.  
21 Chair, I think, whether you scared us at the end of  
22 yesterday or not -- and I certainly don't want to be --  
23 I don't want to be setting a precedent, but Mr. Masi  
24 and I have -- have a fair bit of complementariness to  
25 our crosses, so I think we both edited fairly

1 extensively last night. So I think, time-wise, we're  
2 going to be in very good shape.

3 I wonder if we could turn to Hydro's  
4 response to GAC First Round Information Request 34(f).  
5 And, Diana, there's three (3) attachments to this, and  
6 so I'm looking for attachment 3, page 1 of 2.

7

8 (BRIEF PAUSE)

9

10 MR. BYRON WILLIAMS: And, Ms.  
11 Galbraith, I don't know if we've ever spoken before, so  
12 welcome to the proceedings on behalf of my clients.

13 As I understand it, Neighbours Helping  
14 Neighbours is a partnership effort between Manitoba  
15 Hydro and the Salvation Army.

16 Is that correct?

17 MS. COLLEEN GALBRAITH: That is  
18 correct.

19 MR. BYRON WILLIAMS: And in general  
20 terms, it provides one (1) time emergency funding to  
21 assist families and individuals living at or near the  
22 poverty line.

23 Would that be fair?

24 MS. COLLEEN GALBRAITH: Yes, that's  
25 correct.

1 MR. BYRON WILLIAMS: And the program is  
2 means tested, by which I mean applicants have to  
3 provide proof of income for all -- all persons in their  
4 household, agreed?

5 MS. COLLEEN GALBRAITH: That is  
6 correct.

7 MR. BYRON WILLIAMS: And eligibility  
8 for the program is set at -- L-I-C-O, for the court  
9 reporter -- LICO-125 -- 125.

10 Is that right?

11 MS. COLLEEN GALBRAITH: You are  
12 correct.

13 MR. BYRON WILLIAMS: And I have a  
14 reference for this if you require it, but it would be  
15 fair to say that the population among the populations  
16 targeted by Neighbours Helping Neighbours, one (1)  
17 population is the working poor, agreed?

18 MS. COLLEEN GALBRAITH: Yes, that would  
19 be one (1).

20 MR. BYRON WILLIAMS: And another  
21 population would be persons who are on fixed incomes  
22 such as CPP, OAS, and GIS, agreed?

23 MS. COLLEEN GALBRAITH: Yes.

24 MR. BYRON WILLIAMS: And am I correct  
25 in suggesting to you that applicants for Neighbours

1 Helping Neighbours cannot be on social assistance?

2 MS. COLLEEN GALBRAITH: That is a  
3 condition of the criteria, so yes, you are correct.

4 MR. BYRON WILLIAMS: And presumably  
5 that's because the expectation is that the -- what we  
6 used to know as the Employment and Income Assistance  
7 Program, but what is now known as the Manitoba  
8 Assistance Program, would be covering utility costs for  
9 people who are on welfare, or income assistance,  
10 agreed?

11 MS. COLLEEN GALBRAITH: Yes, that is  
12 also my understanding.

13 MR. BYRON WILLIAMS: Just in terms of  
14 the -- this page is perfect, Diana, actually, the  
15 population that we're looking here. And I -- I want to  
16 -- if we look at the growth of -- let's -- let me try  
17 this again with a bit better question.

18 If we could -- I'll direct your  
19 attention to the table called 'Grants and Referrals' in  
20 the bottom left-hand corner.

21 Do you see that, Ms. Gal -- Galbraith?

22 MS. COLLEEN GALBRAITH: Yes, I do.

23 MR. BYRON WILLIAMS: And we see that  
24 the grants back in '08/'09 were a bit less than five  
25 hundred (500), four hundred and sixty-nine (469) or so.

1

2

Would that be fair?

3

4

MS. COLLEEN GALBRAITH: Yes, that's correct.

5

6

7

8

MR. BYRON WILLIAMS: And again, the blue lines on this chart are the grants, while the yellow lines are the -- or orange lines are the referrals.

9

Is that right?

10

11

MS. COLLEEN GALBRAITH: That is correct.

12

13

14

15

16

MR. BYRON WILLIAMS: And as we move up to 2013/'14, we see the numbers are somewhere between eleven hundred (1,100) and twelve hundred (1,200), being one thousand one hundred and sixty-four (1,164), agreed?

17

18

MS. COLLEEN GALBRAITH: That is correct.

19

20

21

MR. BYRON WILLIAMS: And these are the totals for Neighbours Helping Neighbours for all of Manitoba?

22

23

MS. COLLEEN GALBRAITH: That is correct.

24

25

MR. BYRON WILLIAMS: Now, just moving to the very pretty coloured circle to the right, you'll

1 see a -- a headline, 'Employment Status of Individuals  
2 Assisted'.

3 Do you see that?

4 MS. COLLEEN GALBRAITH: Yes, I do.

5 MR. BYRON WILLIAMS: And -- and this  
6 was for the Winnipeg program only for the '13/'14 year,  
7 correct?

8 MS. COLLEEN GALBRAITH: That is  
9 correct.

10 MR. BYRON WILLIAMS: And what we're  
11 seeing in terms of this population is that there's a  
12 bit over half, being 54 percent, who were -- identified  
13 themselves as being employed, agreed?

14 MS. COLLEEN GALBRAITH: That is  
15 correct.

16 MR. BYRON WILLIAMS: Persons on  
17 employment insurance were another 10 percent, correct?

18 MS. COLLEEN GALBRAITH: That is  
19 correct.

20 MR. BYRON WILLIAMS: And then we see  
21 students at 2 percent and those on pensions at 10  
22 percent, agreed?

23 MS. COLLEEN GALBRAITH: That is  
24 correct.

25 MR. BYRON WILLIAMS: About 76 percent.

1 And then you see the other category being unemployed at  
2 20 percent and disability at 4 percent?

3 MS. COLLEEN GALBRAITH: That is  
4 correct.

5 MR. BYRON WILLIAMS: And -- and what  
6 I'm wondering about, Ms. Galbraith, if they're  
7 unemployed, but they're not employment insurance, do we  
8 have any indication of what their source of income is?

9 MS. COLLEEN GALBRAITH: That would be  
10 statistics that are maintained by the Salvation Army as  
11 they administer the programs and the grants. So I  
12 cannot speak to that. I do not have it readily  
13 available.

14 MR. BYRON WILLIAMS: Okay. And the  
15 reason I ask is normally I would have -- when you see  
16 that population you see they -- they don't have income,  
17 they don't have pension, they don't have employment  
18 insurance, one would presume they were on -- on  
19 welfare. And -- and so I'm just trying to get my head  
20 around those populations.

21 Does the Corporation have any insight  
22 into what their source of income is?

23 MS. COLLEEN GALBRAITH: No, we do not.

24 MR. BYRON WILLIAMS: Okay. If we could  
25 just flip for a moment back to Attachment 2, page 1 of



1 MR. BYRON WILLIAMS: Can Manitoba Hydro  
2 provide any insight in terms of the number of persons  
3 outside the City of Winnipeg who are benefiting from  
4 Neighbours Helping Neighbours?

5 MS. COLLEEN GALBRAITH: We would have  
6 to take that as an undertaking and obtain some of the  
7 information from the Salvation Army, but I believe that  
8 it is possible.

9 MR. BYRON WILLIAMS: So what I'd ask  
10 for is the -- the -- for the 2012/'13 and the 2013/'14  
11 year, a breakdown between the Winnipeg population for  
12 Neighbours Helping Neighbours, and the rural  
13 population. Is that a satisfactory undertaking for  
14 you, Ms. Gal -- Galbraith?

15 MS. COLLEEN GALBRAITH: Yes, it is.

16

17 --- UNDERTAKING NO. 62: Manitoba Hydro to provide a  
18 breakdown between the  
19 Winnipeg population for  
20 Neighbours Helping  
21 Neighbours, and the rural  
22 population for the 2012/'13  
23 and the 2013/'14 year

24

25 CONTINUED BY MR. BYRON WILLIAMS:

1 MR. BYRON WILLIAMS: Would my client be  
2 right in suggesting that the vast majority of  
3 participants for Neighbours Helping Neighbours are from  
4 Winnipeg?

5 MS. COLLEEN GALBRAITH: Without seeing  
6 the numbers to compare, but I think that that's  
7 probably reasonable.

8 MR. BYRON WILLIAMS: And does the  
9 Corporation have any concerns or issues in terms of the  
10 availability of this program to persons living outside  
11 the City of Winnipeg?

12 MS. COLLEEN GALBRAITH: As I noted  
13 earlier -- pardon me, yesterday in my presentation the  
14 majority of the referrals to the Neighbours Helping  
15 Neighbours program comes from our credit recovery  
16 services department, and as Mr. Chard testified we've  
17 actually since centralized collections. I can't recall  
18 the year, I do apologize.

19 So our credit and recovery services reps  
20 are promoting the Neighbours Helping Neighbours Program  
21 to all customers within the Manitoba jurisdiction.

22 MR. BYRON WILLIAMS: Outside the City  
23 of Winnipeg, what other locations does the Salvation  
24 Army have a presence?

25 MS. COLLEEN GALBRAITH: I can't speak

1 to them all, but I know that there are regional  
2 offices. The one that comes to mind immediately is  
3 Brandon and Thompson, but I could take that as an  
4 undertaking to obtain the regional offices, as well.

5 MR. BYRON WILLIAMS: I'm not going to  
6 ask it for an undertaking, but if there are locations  
7 beyond Brandon and Thompson you'll just get back to us.  
8 Would -- can we do it in that form?

9 MS. COLLEEN GALBRAITH: Yes.

10 MR. BYRON WILLIAMS: Just to go to --  
11 back to Attachment 3, page 2 of 2, Diana, please?

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: And directing on  
16 the right-hand side just above program management --  
17 oh, actually, Diana, it's perfect. Go up two (2)  
18 paragraph above program management. Yeah, just...

19 You'll see a reference, Ms. Galbraith,  
20 to,

21 "...persons with lower incomes often  
22 renting homes that have little  
23 insulation, older appliances, and  
24 inefficient heating systems, facts  
25 that can cause a greater impact on

1                   their energy bills."

2                   Do you see that reference?

3                   MS. COLLEEN GALBRAITH:    Yes, I do.

4                   MR. BYRON WILLIAMS:    And I take it  
5 that's a statement with which Manitoba Hydro concurs?

6                   MS. COLLEEN GALBRAITH:    Yes, it can be.

7                   MR. BYRON WILLIAMS:    Mr. Chair, just  
8 time wise, I'm -- I've -- I'm happy to -- or I'm able  
9 to keep going.  The section that -- that is coming up  
10 is of particular interest to my client, so actually I  
11 guess what I'll do is I'll do a short snapper.  I've  
12 got something near the end that I'll...

13                   Perhaps from the Manitoba Hydro Power  
14 Point from yesterday, slide 52.  Mr. Kuczek put the  
15 bait out there, and I will bite to a certain degree.  
16 Mr. Kuczek, this is your grid parity PowerPoint, sir,  
17 agreed?

18                   MR. LLOYD KUCZEK:    Yes.

19                   MR. BYRON WILLIAMS:    And I -- I went on  
20 a somewhat frantic search last night to see if I could  
21 find some supporting numbers for -- for this  
22 calculation on the record.

23                   Mr. Kuczek, should I have found those  
24 numbers on the record?

25                   MR. LLOYD KUCZEK:    No, you would not

1 have found those numbers.

2                   MR. BYRON WILLIAMS:    I wonder if I can  
3 ask you then, sir, by way of undertaking to pro --  
4 provide the calculations upon which this slide was  
5 prepared, including the sources that you relied upon in  
6 -- in preparing this slide.

7                   Would you be able to do that, sir?

8                   MR. LLOYD KUCZEK:    I'll undertake to  
9 provide that information, yes.

10

11 --- UNDERTAKING NO. 63:    Manitoba Hydro to provide  
12                                   the calculations upon which  
13                                   the grid parity  
14                                   presentation slide was  
15                                   prepared, including the  
16                                   sources that were relied  
17                                   upon in its preparation

18

19 CONTINUED BY MR. BYRON WILLIAMS:

20                   MR. BYRON WILLIAMS:    And -- and, sir,  
21 was this document prepared in internally or by an  
22 external source?

23                   MR. LLOYD KUCZEK:    It was pre --  
24 prepared internally based on external information.

25                   MR. BYRON WILLIAMS:    And you'll provide

1 the sources upon which you're relying, sir?

2 MR. LLOYD KUCZEK: Correct.

3 MR. BYRON WILLIAMS: And did you have  
4 this document vali -- validated or examined by anyone  
5 external to the Corporation?

6 MR. LLOYD KUCZEK: No, we're doing our  
7 own analysis right now assessing the opportunities with  
8 the solar PV right now, so it's -- it's based on our  
9 own -- or for our own internal purposes. And it's a --  
10 I would suggest, early stages.

11 MR. BYRON WILLIAMS: And so if memory  
12 serves me right, sir, you had the good fortune to have  
13 Mr. Dunsky's firm assisting you in an evaluation of --  
14 of the Affordable Energy Program.

15 Is that right, sir?

16 MR. LLOYD KUCZEK: That's correct.

17 MR. BYRON WILLIAMS: And while Mr.  
18 Dunsky or Mr. Poirier were hanging around the office  
19 you didn't ask them to take a shot at examining these  
20 calculations, did you, sir?

21 MR. LLOYD KUCZEK: No, but we are  
22 actually looking at hiring an external firm to help us  
23 with assessing the -- the opportunities through solar  
24 PV.

25 MR. BYRON WILLIAMS: Okay. Thank you

1 for that. And, Mr. Chair, I think it's a good time for  
2 a break if it's satisfactory to the panel.

3 THE CHAIRPERSON: Thank you, Mr.  
4 Williams. With that, we'll recess for lunch. I --  
5 we'll resume the proceedings again at twenty (20) to  
6 one o'clock. Thank you.

7

8 --- Upon recessing at 11:55 a.m.

9 --- Upon resuming at 12:44 p.m.

10

11 THE CHAIRPERSON: Good afternoon. I  
12 believe that we're ready to resume the proceedings.

13 Mr. Czarnecki, please.

14 MR. BRENT CZARNECKI: Just -- Ms.  
15 Galbraith and Mr. Chard have a couple matters to speak  
16 to from this morning, Mr. Chairman.

17 THE CHAIRPERSON: Thank you.

18 MS. COLLEEN GALBRAITH: Hi. Good  
19 afternoon. I just wanted to speak to Mr. Orle's  
20 question regarding the number of homes that are going  
21 to be provided the basic energy efficiency measures, as  
22 well as the insulation measures in the MKO communities.  
23 So I have that number.

24 So again, it's an estimate. We estimate  
25 that there are approximately seven thousand five

1 hundred and eighteen (7,518) homes within the MKO  
2 communities, all of which would receive the basic  
3 energy efficiency measures.

4                   And then, of that, we estimate that  
5 there's approximately one thousand four hundred and  
6 fifty (1,450) homes that would receive insulation. And  
7 the one thousand four hundred and fifty (1,450) was  
8 actually noted in my presentation given yesterday as  
9 well.

10                   And then I have one (1) other matter, as  
11 well. The question asked: Was the regional offices  
12 located outside of Winnipeg for the Neighbours Helping  
13 Neighbours program? So in addition to Winnipeg,  
14 there's also an office located in Portage la Prairie,  
15 Brandon, Dauphin, Flin Flon, and Thompson.

16

17                   (BRIEF PAUSE)

18

19                   MR. PAUL CHARD: Excuse me. And with  
20 regard to the number of disconnections that occur --  
21 occurred during the last year, we -- we understated the  
22 number. So I thought we would give you the -- the  
23 official numbers from the last fiscal year.

24                   So as I described, all electric houses  
25 being -- or all electric customers being either heat

1 customers or lights-and-plugs customers, there were  
2 seven thousand six hundred and forty-six (7,646)  
3 disconnections. And for combined services, gas-  
4 electric, there was two thousand six hundred and  
5 fifteen (2,615).

6

7

(BRIEF PAUSE)

8

9

THE CHAIRPERSON: Mr. Williams, please.

10

11 CONTINUED BY MR. BYRON WILLIAMS:

12

MR. BYRON WILLIAMS: And, Ms.

13 Galbraith, I -- I think most of my questions will be  
14 coming to you, but -- and I see Mr. Kuczek smiling, so  
15 I -- I did have one for him before I got to you.

16

Mr. Kuczek, it would be fair to say that  
17 you and I have had a few conversations over the years  
18 related to the Affordable Energy Program, and its  
19 predecessor, the Low Income Energy Efficiency Program?

20

MR. LLOYD KUCZEK: Correct.

21

MR. BYRON WILLIAMS: It would also be  
22 fair to say that while my client and your Corporation  
23 may have had some disagreements over time they were  
24 mostly over the pacing of -- of changes rather than the  
25 long-term objective?

1                   MR. LLOYD KUCZEK:    We probably shared  
2 that concern about the pacing.

3                   MR. BYRON WILLIAMS:    Okay.  Fair  
4 enough.  And, Ms. Galbraith, to you I'm going to be  
5 focussing on the Affordable Energy Program, AEP, as  
6 opposed to the fund, the AEF or -- that's my intent, so  
7 if I misspeak I am focussing on the AEP.

8                   But would I be fair in suggesting -- or  
9 accurate in sug -- would it be accurate to suggest that  
10 the predecessor to the Affordable Energy Program was  
11 introduced by the Corporation back around December of  
12 2007?

13                   MS. COLLEEN GALBRAITH:    That is  
14 correct.

15                   MR. BYRON WILLIAMS:    And we won't dwell  
16 on it but that was the -- the Low Income Energy  
17 Efficiency Program, or LIEP.

18                   Would that be fair?

19                   MS. COLLEEN GALBRAITH:    Yes, that was  
20 its former name.

21                   MR. BYRON WILLIAMS:    And one of the  
22 reasons for the change in the name was that Manitoba  
23 Hydro in its consumer surveys found that -- that it was  
24 -- that some people might have been discouraged from  
25 applying because they thought they -- they -- when they

1 heard the word 'low-income' they thought they might not  
2 qualify.

3 Is that your recollection?

4 MS. COLLEEN GALBRAITH: That could be  
5 one but also, too, we wanted to remove any stigma  
6 associated with the program name, hence the name  
7 change.

8 MR. BYRON WILLIAMS: And way back in  
9 2007/2008, the program targeted homeowners of single  
10 and multi-attached dwelling units, at a high level  
11 that's fair?

12 MS. COLLEEN GALBRAITH: Yes.

13 MR. BYRON WILLIAMS: And then you  
14 introduced with some incur -- you introduced in July  
15 2008 a furnace and boiler component as well, agreed?

16 MS. COLLEEN GALBRAITH: That is  
17 correct.

18 MR. BYRON WILLIAMS: And there was  
19 another landmark reached in 2013 with the expansion to  
20 eligibility for participation to include certain  
21 landlords serving low-income tenants?

22 MS. COLLEEN GALBRAITH: Yes, the  
23 private landlord market.

24 MR. BYRON WILLIAMS: And if we could  
25 just turn to slide 25 of the Manitoba Hydro's

1 presentation from Monday, and what you're telling us in  
2 this -- in this slide, Ms. Galbraith, are there are a  
3 number of distinct delivery channels, or mechanisms, by  
4 which individuals or -- or communities can -- can  
5 access the Affordable Energy Program, agreed?

6 MS. COLLEEN GALBRAITH: That is  
7 correct.

8 MR. BYRON WILLIAMS: There is the  
9 individual pathway, which -- which you called direct,  
10 correct?

11 MS. COLLEEN GALBRAITH: That is  
12 correct.

13 MR. BYRON WILLIAMS: There's a pathway  
14 through social housing, as well?

15 MS. COLLEEN GALBRAITH: That is  
16 correct.

17 MR. BYRON WILLIAMS: A First Nations  
18 element or pathway, agreed?

19 MS. COLLEEN GALBRAITH: That is  
20 correct.

21 MR. BYRON WILLIAMS: And there's also  
22 what you've called neighbourhood, and am I correct in  
23 suggesting to you that by 'neighbourhood' you mean  
24 using the conduit of organizations such as the North  
25 End Community Renewal Corporation in Winnipeg, and the

1 Brandon Neighbourhood Renewal Corporation in -- in  
2 Brandon?

3 MS. COLLEEN GALBRAITH: That is  
4 correct.

5

6 (BRIEF PAUSE)

7

8 MR. BYRON WILLIAMS: And I guess the  
9 one that's -- and I'm not trying to be nitpicky here,  
10 that may not necessarily be directly on there is, since  
11 the changes in 2013 through private landlords.

12 Would that be another channel where  
13 applications can be made?

14 MS. COLLEEN GALBRAITH: You are  
15 correct, but that would fall under the direct approach.  
16 So that's where we work directly with customers and/or  
17 landlords -- private landlords.

18 MR. BYRON WILLIAMS: Okay. And we're  
19 going to bounce around a little bit, but in terms of  
20 your work with community organizations, such as North  
21 End Community Renewal or Brandon Renewal, that started  
22 on or about November of 2012, agreed?

23 MS. COLLEEN GALBRAITH: That is  
24 correct, when we formally announced what we call the  
25 Neighbourhood Power Smart initiative and developed

1 agreements with the First -- the North End Community  
2 Renewal Corporation. And then the Brandon  
3 Neighbourhood Renewal Corporation came online in  
4 February of 2013.

5 MR. BYRON WILLIAMS: And one (1)  
6 element of those agreements was the funding of  
7 neighbourhood coordinators/canvassers both through  
8 NERC, being the North End Community Renewal  
9 Corporation, and through the Brandon Neighbourhood  
10 Renewal Corporation.

11 Would that be fair?

12 MS. COLLEEN GALBRAITH: That is one (1)  
13 component of it, yes.

14 MR. BYRON WILLIAMS: And in the early  
15 years in Winnipeg, the focus of NERC and the dedicated  
16 neighbourhood coordinator was on the William White  
17 area, agreed?

18 MS. COLLEEN GALBRAITH: Initially, yes.  
19 What we're currently canvassing and working with North  
20 End Community Renewal Corporation right now is  
21 expanding outside of the William White territory. If I  
22 recall correctly, the North End Community Renewal  
23 Corporation covers off nine (9) neighbourhoods, so  
24 we're ex -- since expanding into surrounding, such as  
25 Dufferin and Burrows Central, et cetera.

1 MR. BYRON WILLIAMS: And those are  
2 relatively new. The -- the move beyond William White  
3 is a relatively new move, agreed?

4 MS. COLLEEN GALBRAITH: I would say  
5 within the last year.

6 MR. BYRON WILLIAMS: And the area in  
7 Brandon, is it still the downtown Brandon area?

8 MS. COLLEEN GALBRAITH: That's where  
9 the primary focus is as that's where Brandon  
10 Neighbourhood Renewal Corporation's territory is. But  
11 we've actually since entertained discussions with them  
12 to further expand as you can only doorknock so many  
13 times on an individual's home before they may or may  
14 not say 'yes'.

15 MR. BYRON WILLIAMS: And just so I  
16 understand, in terms of the Brandon program, are you --  
17 are you knocking beyond the downtown area or are you  
18 still in discussions at this point in time?

19 MS. COLLEEN GALBRAITH: Still in  
20 discussions at this point. It's not to say that we're  
21 not going to be pursuing that.

22 MR. BYRON WILLIAMS: And in terms,  
23 going back to the Winnipeg area, you -- you mentioned  
24 that the North End Renewal Corp -- Corporation serves  
25 nine (9) distinct areas, correct?

1 MS. COLLEEN GALBRAITH: Subject to  
2 check, yes.

3 MR. BYRON WILLIAMS: And in terms of  
4 the plan to move out beyond that, is it two (2)  
5 communities at a time, three (3) communities?

6 What's -- what's the plan?

7 MS. COLLEEN GALBRAITH: Working with  
8 the North End Community Recor -- Renewal Corporation we  
9 actually have two (2) objectives. One (1) is the  
10 community canvasser or energy advocate canvasses the  
11 entire jurisdiction of the North End Community Renewal  
12 Corporation's territory. But we also have what is  
13 called a street-by-street approach where that's --  
14 where we identify specific blocks within the targeted  
15 neighbourhoods and we have promotional events.

16 So we provide save the date cards a few  
17 days in advance of, so letting the constituents know of  
18 those particular blocks, that we will be in their  
19 neighbourhood for a particular time frame out promoting  
20 our program. So it's basically to give them a head's  
21 up that we're around, so if they'd like to speak to us  
22 and answer their door, we are available.

23 So there's the overall community  
24 coordinated effort with the canvassers. And then  
25 there's us, Manitoba staff. I haven't actually

1 personally gone out and doorknocked with them to  
2 promote the program.

3 MR. BYRON WILLIAMS: And if memory  
4 serves me right, the street-by-street initiative is a  
5 relatively new one, starting on or about May of 2014.

6 Would that be fair?

7 MS. COLLEEN GALBRAITH: That is  
8 correct.

9 MR. BYRON WILLIAMS: And it would also  
10 be fair to say that through -- you had some challenges  
11 in terms of numbers coming in through the -- the  
12 straight canvassing approach, but this has proved to be  
13 more productive than the straight canvassing approach.

14 Would that be fair, as well?

15 MS. COLLEEN GALBRAITH: Yes, that's a  
16 much more targeted effort within those communities.

17 MR. BYRON WILLIAMS: And is that sort  
18 of street-by-street approach, is it specific to  
19 Winnipeg or does it expand into the Brandon core, as  
20 well?

21 MS. COLLEEN GALBRAITH: We've also run  
22 street-by-street promotional events in the Brandon  
23 neighbourhood, as well.

24 MR. BYRON WILLIAMS: Ms. Galbraith,  
25 just -- just switching topics a little bit. I'd be

1 correct in suggesting to you that during part of 2014  
2 and perhaps into early 2015 the AEF Pro -- excuse me,  
3 the AEP Program underwent an external review.

4 Is that right?

5 MS. COLLEEN GALBRAITH: That is  
6 correct. An external review was conducted by Dunsky  
7 Engineering Consulting.

8 MR. BYRON WILLIAMS: And there also --  
9 there also was an internal process evaluation review of  
10 the Affordable Energy Program that was undertaken by  
11 Hydro in 2014 as well, agreed?

12 MS. COLLEEN GALBRAITH: That is  
13 correct.

14 MR. BYRON WILLIAMS: Ms. Galbraith, I'm  
15 going to ask you to help me figure out the investment  
16 of the Corporation in the AEP Program and we're going  
17 to jump around a little bit, so I apologize for that.  
18 But if Diana would be kind enough to turn to Appendix  
19 8.2, page J. Appendix 8.2, page J.

20

21 (BRIEF PAUSE)

22

23 MR. BYRON WILLIAMS: I'm just going to  
24 -- that's not the page I'm looking for. I'm just going  
25 to show... 'H' -- yeah, there we go. Thank you.

1                   And the very top line there, Ms.  
2 Galbraith, is -- is that the -- the budget for the  
3 Affordable Energy Program for the years '06/'07 through  
4 2012/'13?

5

6                                   (BRIEF PAUSE)

7

8                   MS. COLLEEN GALBRAITH:    That is our  
9 actual spend.  And that is the dollars associated just  
10 with the Affordable Energy Fund.

11                  MR. BYRON WILLIAMS:    But the top line,  
12 and recognizing that it's not the budget, but the  
13 actual spend, and I apologize for that, that's the  
14 actual spend for the AEP, or Affordable Energy Program,  
15 as expressed in nominal dollars, agreed?

16                  MS. COLLEEN GALBRAITH:    That is  
17 correct.  I should also add that the Affordable Energy  
18 Program utilizes not only on the Affordable Energy Fund  
19 to offer its program, there's also PowerSmart dollars  
20 associated with it along with monies from the Furnace  
21 Replacement Program.

22                  MR. BYRON WILLIAMS:    And that's -- Ms.  
23 Galbraith, I -- I just want to walk through and see if  
24 I'm comparing apples to apples or not.  But, okay, so  
25 there we see the numbers for the -- as presented in

1 Appendix 8.2. If I -- I could ask Diana to turn to  
2 Coalition I-69, Attachment 1, page 35 of 42.

3

4 (BRIEF PAUSE)

5

6 MR. BYRON WILLIAMS: Page 35 of 42.

7

8 (BRIEF PAUSE)

9

10 MR. BYRON WILLIAMS: Now, Ms.

11 Galbraith... One (1) second here.

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: Excuse me for just  
16 one (1) second. I may have my page off by a page. It  
17 might be page 36. Nope, still guessing. Just one (1)  
18 second, and I apologize.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: Page 9 -- or 11 of  
23 42 and towards the bottom. And you'll see, Ms.

24 Galbraith, this is a -- a description of the Affordable  
25 Energy Program on this page, being 11 of 42, and I

1 apologize for the confusion, agreed?

2 MS. COLLEEN GALBRAITH: That is  
3 correct.

4 MR. BYRON WILLIAMS: And we see an  
5 investment projected -- and -- and this is from the  
6 2014 to 2017 Power Smart Plan, agreed?

7 MS. COLLEEN GALBRAITH: That is  
8 correct.

9 MR. BYRON WILLIAMS: And the third-last  
10 line of this table we see the Utility investment for  
11 2014 portrayed as 7.4 million, 2015 is 7.1 million, and  
12 2016/'17 being 4.7 million.

13 Do you see those references?

14 MS. COLLEEN GALBRAITH: Yes.

15 MR. BYRON WILLIAMS: And just so I  
16 understand, are those the budgets for the Affordable  
17 Energy Program for those three (3) specific years?

18

19 (BRIEF PAUSE)

20

21 MS. COLLEEN GALBRAITH: That is  
22 correct, and it includes both the Affordable Energy  
23 Fund, Power Smart, and Furnace Replacement Funds.

24 MR. BYRON WILLIAMS: And that's  
25 helpful. And just for -- for my purposes, what you're

1 telling me is I certainly can't compare the -- what we  
2 looked at in Appendix 8.2 to this document, to -- to  
3 what we see here in Coalition I-69, because this is the  
4 entire program, as compared to Appendix 8.2?

5 MS. COLLEEN GALBRAITH: That is  
6 correct.

7 MR. BYRON WILLIAMS: Okay. Now, I do  
8 have this page, right? If we can go now, Diana, to  
9 Attachment 2, page 18 of -- of 51.

10

11 (BRIEF PAUSE)

12

13 MR. BYRON WILLIAMS: Page 18 of 51.  
14 Thank you.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: And this is the  
19 very recent update to the Power Smart Plan 2015/'16,  
20 agreed?

21 MS. COLLEEN GALBRAITH: Agreed.

22 MR. BYRON WILLIAMS: And, again, if we  
23 go to the third-last line, we see a Utility investment  
24 of \$9.4 million, correct?

25 MS. COLLEEN GALBRAITH: That is

1 correct.

2 MR. BYRON WILLIAMS: And just so I  
3 understand, is that nine point four (9.4), as presented  
4 in Power Smart '15/'16, analogous to the 7.1 million  
5 presented in the three (3) year plan, being 2014  
6 through 2017?

7 MS. COLLEEN GALBRAITH: That is  
8 correct.

9 MR. BYRON WILLIAMS: Okay. So there  
10 has been a -- a two (2) -- \$2 million increase since --  
11 since last year in the budget.

12 Is that fair?

13 MS. COLLEEN GALBRAITH: That is  
14 correct.

15

16 (BRIEF PAUSE)

17

18 MR. BYRON WILLIAMS: And just to be  
19 totally accurate, we don't need to go back there, but  
20 you'll accept, subject to check, that the numbers for  
21 2014 through '17 were expressed in 2014 dollars?

22 MS. COLLEEN GALBRAITH: Yes, subject to  
23 check.

24 MR. BYRON WILLIAMS: Whereas the number  
25 here is expressed in current dollars, 2015 dollars?

1 MS. COLLEEN GALBRAITH: That is  
2 correct.

3 MR. BYRON WILLIAMS: If we could go  
4 back to the previous page for a second, the previous  
5 page being Attachment 1, page 11 of 42. And, Ms.  
6 Galbraith, you see the -- the projected budget for the  
7 '16/'17 year is 4.7 million.

8 Do you see that?

9 MS. COLLEEN GALBRAITH: That is  
10 correct.

11 MR. BYRON WILLIAMS: And would I be  
12 reasonable in suggesting to you that, given the  
13 increase in the budget for '15/'16, we would not expect  
14 -- the Corporation's current expectation is not that  
15 this figure will be four point seven (4.7) for  
16 2016/'17?

17 MS. COLLEEN GALBRAITH: No, it would  
18 most likely be higher. There's a difference in the  
19 costing from the two (2) plans that have been  
20 referenced. We've made some enhancements to the  
21 overall Affordable Energy Power Smart Program. I named  
22 one (1) of them yesterday, with our basic measure  
23 direct install, which we're employing through First  
24 Nation communities, as well as we've added the drain-  
25 water heat recovery technology, along with LED light

1 bulbs.

2 MR. BYRON WILLIAMS: So -- so --

3 MR. LLOYD KUCZEK: I -- I should add,  
4 though that that number seems -- seems like it's maybe  
5 wrong. So we'll have to go back and check our '14/'17  
6 plan to see why that drop was there. But we're not --  
7 we're not aware of -- in fact, we were just trying to  
8 discuss it quickly to understand why it dropped there.  
9 But I hadn't noticed that before. But there were no  
10 plans to drop the program spending in the -- in that  
11 year.

12 MR. BYRON WILLIAMS: And we'll get an  
13 undertaking from you in just a moment, Mr. Kuczek.

14 But would it be fair to suggest that we  
15 would expect the Affordable Energy Program investment  
16 in the '16/'17 year, assuming it's still under Hydro,  
17 to be in excess of \$10 million?

18 MS. COLLEEN GALBRAITH: I don't recall  
19 what the number would be off the top of my head. We  
20 would have to check, but that sounds reasonable.

21 MR. BYRON WILLIAMS: So I'm -- I'm  
22 going to ask by way of undertaking two (2) different  
23 matters. One (1) is to, if it's available, to confirm  
24 the current budget projection for the 2016 year for the  
25 Affordable Energy Program. And secondly, for Mr.

1 Kuczek to review the three (3) year plan and the figure  
2 of 4.7 million for 2016/'17, and -- and determine  
3 whether that requires revision or not.

4                   Is that, Ms. -- satisfactory, Ms. -- Ms.  
5 Galbraith or Mr. Kuczek?

6                   MS. COLLEEN GALBRAITH:     That is.

7

8 --- UNDERTAKING NO. 64:     Manitoba Hydro to confirm  
9                                   the current budget  
10                                  projection for the 2016  
11                                  year for the Affordable  
12                                  Energy Program and to  
13                                  review the three (3) year  
14                                  plan and the figure of 4.7  
15                                  million for 2016/'17 and  
16                                  determine whether that  
17                                  requires revision or not

18

19 CONTINUED BY MR. BYRON WILLIAMS:

20                   MR. BYRON WILLIAMS:     Ms. Galbraith --  
21 and perfect timing. Ms. Desorcy is here, and I'm very  
22 glad she -- she is.

23                   Ms. Galbraith, I don't want to get to  
24 the cost-benefit analysis of affordable energy right  
25 now, but we can -- or you would agree that there --

1 there are a number of benefits that flow from the  
2 successful design and implementation of low income  
3 energy efficiency programs?

4 MS. COLLEEN GALBRAITH: Yes, I would  
5 agree.

6 MR. BYRON WILLIAMS: And those benefits  
7 can flow both to individuals and to the Corporation,  
8 agreed?

9 MS. COLLEEN GALBRAITH: Yes.

10 MR. BYRON WILLIAMS: And for  
11 participants, one (1) benefit of an -- of a -- programs  
12 such as the -- the Affordable Energy Program are  
13 decreasing energy use, and hopefully decreasing energy  
14 bills, agreed?

15 MS. COLLEEN GALBRAITH: Yes.

16 MR. BYRON WILLIAMS: Another benefit  
17 can be improved comfort and safety, correct?

18 MS. COLLEEN GALBRAITH: Yes.

19 MR. BYRON WILLIAMS: And for the  
20 Corporation, benefits from pro -- programs such as  
21 these may include lower credit and collection costs?

22 MS. COLLEEN GALBRAITH: It may.

23 MR. BYRON WILLIAMS: They may avoid  
24 service cutoffs. Service shut-off costs, agreed?

25 MS. COLLEEN GALBRAITH: That is one (1)

1 possibility.

2 MR. BYRON WILLIAMS: And ideally, one  
3 can reduce uncollectible account writeoffs through  
4 prudent invest -- investments and affordable energy  
5 programs, correct?

6 MS. COLLEEN GALBRAITH: For those  
7 customers that do participate, yes, they can have lower  
8 bills.

9 MR. BYRON WILLIAMS: And that brings  
10 benefits in -- in -- to a certain degree, and cost  
11 savings to the Corporation, as well?

12 MS. COLLEEN GALBRAITH: Yes.

13 MR. BYRON WILLIAMS: And I would be  
14 correct in saying that performing its societal cost  
15 test, or SCT analysis for the Affordable Energy  
16 Program, Hydro uses a 10 percent adder on energy  
17 benefits to account for unquantified societal benefits,  
18 agreed?

19 MS. COLLEEN GALBRAITH: That is  
20 correct.

21 MR. BYRON WILLIAMS: And in recognition  
22 of those benefits, indeed, some utilities use adders to  
23 energy benefits as high as 25 percent, agreed?

24 MS. COLLEEN GALBRAITH: That sounds  
25 reasonable.

1 MR. BYRON WILLIAMS: And that was the  
2 advice that Mr. Dunsky gave you in his report to you,  
3 agreed?

4 MS. COLLEEN GALBRAITH: He did make a  
5 recommendation for us to look at our societal cost  
6 test, yes.

7 MR. BYRON WILLIAMS: I wonder if we can  
8 turn, Diana, to GAC First Round Information Request 55,  
9 page 33 of 118, as marked in the top right corner?

10

11 (BRIEF PAUSE)

12

13 MR. BYRON WILLIAMS: Ms. Galbraith,  
14 this is -- the document we're referring to is the  
15 Affordable Energy Program process evaluation, agreed?

16 MS. COLLEEN GALBRAITH: That is  
17 correct.

18 MR. BYRON WILLIAMS: And did you  
19 oversee that -- that analysis?

20 MS. COLLEEN GALBRAITH: Yes.

21 MR. BYRON WILLIAMS: Page 33, Diana.  
22 And just in terms of the overall evaluation, would it  
23 be fair to say that it involved -- one (1) part of it  
24 was polling of customers who had previously used --  
25 either participated in either the Affordable Energy

1 Program or the Low Income Energy Efficiency Program?

2 MS. COLLEEN GALBRAITH: That is  
3 correct.

4 MR. BYRON WILLIAMS: You also surveyed  
5 non-participants, as well?

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: I don't think it's  
10 very controversial. You could accept it subject to  
11 check.

12 MS. COLLEEN GALBRAITH: I will accept  
13 it subject to check. I should also qualify my earlier  
14 answer, that while I did oversee this from the  
15 Affordable Energy Program, it was actually Ms. Pilek  
16 who oversaw the overall evaluation.

17 MR. BYRON WILLIAMS: Well, good job.  
18 And apart from the surveys from consumers, you also  
19 conducted interviews with Hydro staff, commu --  
20 technical advisors, and coordinators of the  
21 neighbourhood programs, agreed?

22 MS. COLLEEN GALBRAITH: Yes. And when  
23 we were interviewing -- or pardon me, when the  
24 interviews were conducted with staff, it wasn't the --  
25 it was just a sampling of staff.

1 MR. BYRON WILLIAMS: And just so I'm  
2 clear, you clearly didn't interview all the staff, but  
3 you tried to get staff who could provide insight into -  
4 - into various aspects of the program that were of  
5 interest as part of this process review, agreed?

6 MS. COLLEEN GALBRAITH: Yes. It was  
7 meant to be a representative sample.

8 MR. BYRON WILLIAMS: And it's -- in  
9 terms of the customer satisfaction -- and these numbers  
10 aren't right before you. I can provide you references  
11 as you need it.

12 But in terms of the survey of former  
13 participants, it would be accurate to say that over 80  
14 percent of respondents were satisfied with the program  
15 overall?

16 MS. COLLEEN GALBRAITH: Subject to  
17 check, yes.

18 MR. BYRON WILLIAMS: And over one half  
19 (1/2) of participants, roughly 54 percent, reported  
20 that their energy bills decreased since installing the  
21 energy conservation message -- measure.

22 Would that be fair?

23 MS. COLLEEN GALBRAITH: That sounds  
24 reasonable, yes.

25 MR. BYRON WILLIAMS: And just as we

1 look to Table 8.62, a number of consumers also  
2 indicated that participating in the program led to  
3 specific behavioural changes which I would wish upon my  
4 children, such as turning off appliances when not in  
5 use, closing doors and windows, and setting the heating  
6 thermostat lower.

7                   Would that be fair?

8                   MS. COLLEEN GALBRAITH: That is  
9 correct.

10                   MR. BYRON WILLIAMS: We'll come back to  
11 this survey in a -- or this evaluation in a few  
12 minutes, Ms. Galbraith, but -- and I apologize, Diana,  
13 for spinning you around, but if we could go back to  
14 MKO/Coalition First Round 1-9, page 6 -- page 69 of 88.

15

16                   (BRIEF PAUSE)

17

18                   MR. BYRON WILLIAMS: And, Diana, that's  
19 the Dunsky... And could you just scroll the top of the  
20 page. I'm looking for 69 of 88 at the top or 65 at the  
21 -- the bottom, 69 of 88. Perfect. And if you could  
22 scroll down a little bit. Whoa, that's perfect.

23                   Ms. Galbraith, you'll recall -- you'll -  
24 - you'll accept that this is the -- the Dunsky or the -  
25 - the third-party evaluation of the Affordable Energy

1 Program, agreed?

2 MS. COLLEEN GALBRAITH: That is  
3 correct.

4 MR. BYRON WILLIAMS: And what you see  
5 here is Mr. Dunsky suggesting that there should be  
6 three (3) key metrics in terms of evaluating the  
7 effectiveness of the program, one (1) being cost  
8 effectiveness, two (2) being savings, and three (3)  
9 being participation.

10 Is that fair?

11 MS. COLLEEN GALBRAITH: That is  
12 correct.

13 MR. BYRON WILLIAMS: And we'll come to  
14 participation in perhaps fifteen (15) minutes. But  
15 you'll agree that one (1) of the reasons it is  
16 important to look at participation is that all low-  
17 income customers pay for DSM activities through their  
18 rates?

19 MS. COLLEEN GALBRAITH: That is  
20 correct.

21 MR. BYRON WILLIAMS: So it's important  
22 to have a program with reasonable reach so that low-  
23 income persons have reasonable opportunities to benefit  
24 from the program that they're paying for in their  
25 rates.

1                   You'll agree with that?

2                   MS. COLLEEN GALBRAITH:    That is  
3 correct.

4                   MR. BYRON WILLIAMS:    And indeed, part  
5 of the thinking behind the Affordable Energy Program  
6 and fund in the first place was the recognition that  
7 there were significant barriers to low-income  
8 participation in current DSM programs way back then,  
9 notwithstanding the fact that low-income people --  
10 persons were paying for those in their rates.

11                   You'll accept that?

12                   MS. COLLEEN GALBRAITH:    Yes.

13                   MR. BYRON WILLIAMS:    So when we look at  
14 the Affordable Energy Program, I'll suggest to you that  
15 it's important to understand that in addition to very  
16 real societal benefits in terms of more affordable  
17 rates and lower energy usage, there is also an equity  
18 or fairness objective in ensuring that the reach of the  
19 program paid for in rates is accessible to all  
20 consumers, not just those with deep pockets, agreed?

21                   MS. COLLEEN GALBRAITH:    Yes.

22                   MR. BYRON WILLIAMS:    If we can just  
23 scroll up on this page, Diana.  And, Ms. Galbraith,  
24 these are some of the metrics used in the -- the third-  
25 party evaluation of the Affordable Energy Program,

1 agreed?

2 MS. COLLEEN GALBRAITH: Yes.

3 MR. BYRON WILLIAMS: And in terms of  
4 the -- just going down the left-hand side, the societal  
5 cost test, or ratio, I'll suggest to you, is one (1)  
6 that includes -- in addition to non-energy societal --  
7 non-en -- in -- in addition to energy benefits, non-  
8 energy societal benefits, agreed?

9 MS. COLLEEN GALBRAITH: That is  
10 correct.

11 MR. BYRON WILLIAMS: And more than one  
12 (1) is good? That's what you're aiming for?

13 MS. COLLEEN GALBRAITH: That is  
14 correct.

15 MR. BYRON WILLIAMS: The next one, that  
16 utility-benefit ratio, is a ratio of utility benefits  
17 versus utility costs.

18 Can -- is that an accurate...

19 MS. COLLEEN GALBRAITH: That seems  
20 reasonable, yes.

21 MR. BYRON WILLIAMS: And then they  
22 under -- he -- they undertake a similar analysis  
23 looking at the net present value for the utility as  
24 well, agreed?

25 MS. COLLEEN GALBRAITH: Yes.

1 MR. BYRON WILLIAMS: And customer  
2 payback representing the number of years required for  
3 the customer savings to be equivalent to the cost  
4 incurred by the customer.

5 That's what that means?

6 MS. COLLEEN GALBRAITH: That is  
7 correct.

8 MR. BYRON WILLIAMS: And -- and finally  
9 there's the ratio of benefits to participating  
10 customers, both on a net present value basis -- well,  
11 those are the last two (2) lines set out there, agreed?

12 MS. COLLEEN GALBRAITH: That is  
13 correct.

14 MR. BYRON WILLIAMS: And what the  
15 third-party evaluators did here was compare the planned  
16 metrics for AEP versus the -- the actual outcome for  
17 the 2012/'13 year, agreed?

18 MS. COLLEEN GALBRAITH: That is  
19 correct.

20 MR. BYRON WILLIAMS: And generally,  
21 you'll agree with me, that the program faired better  
22 with regar -- respect to all tests than was planned?

23 MS. COLLEEN GALBRAITH: Yes.

24 MR. BYRON WILLIAMS: And if we look to  
25 the participating customer ratio, or the participating

1 customer in NPV, we'll see that the benefits there  
2 significantly outweigh the costs.

3 Would that be fair?

4 MS. COLLEEN GALBRAITH: Yes.

5 MR. BYRON WILLIAMS: When we get from  
6 the utility perspective we'll see that the cost did  
7 outweigh the benefits and that's -- that would be fair?

8 MS. COLLEEN GALBRAITH: Yes.

9 MR. BYRON WILLIAMS: Although, what --  
10 as -- as we look to the net utility benefit ratio we  
11 see that that -- it was a higher number than was  
12 planned for, agreed, the zero point eight-five (0.85)  
13 being higher than the zero-point five-zero (0.50)?

14 MS. COLLEEN GALBRAITH: That is  
15 correct.

16 MR. BYRON WILLIAMS: We'll come back to  
17 the Dunsky report. And, Mr. Chair, I still have a fair  
18 ways to go, but I'm quite -- quite confident with My  
19 Friend that we'll still have time for Mr. Hombach to do  
20 his CRP questions, so.

21 If we could turn back, Diana, to  
22 Coalition I-69(r). Coalition to Hydro, and then  
23 Attachment 2, page 18 of 51.

24

25 (BRIEF PAUSE)

1 MR. BYRON WILLIAMS: And actually slide  
2 back one (1) page to 17 of 51. Thank you.

3 At a high level, Ms. Galbraith, to  
4 qualify for the Affordable Energy Program, a consumer's  
5 income must be below the LICO-125 generally.

6 Is that fair?

7 MS. COLLEEN GALBRAITH: Yes, that is  
8 correct. However, I would like to state that the  
9 neighbourhood initiative where we're targeting streets  
10 or street by street, we actually waive the income  
11 requirement for those constituents within those blocks.

12 And as illustrated yesterday in the  
13 presentation, we have made exceptions where customers  
14 do exceed our income threshold.

15 MR. BYRON WILLIAMS: That's helpful.  
16 And I'll make a note of that and we'll come back to  
17 that.

18 Now, in terms of that below LICO-125  
19 population, would it be fair to say that Hydro  
20 estimates that there are one hundred and fifteen  
21 thousand (115,000) homes in Manitoba below the 125-  
22 LICO, leaving aside low-income persons living in multi-  
23 unit residential buildings?

24 MS. COLLEEN GALBRAITH: Based on this  
25 plan, yes, you're correct that it -- we're targeting

1 single detached, multi-attached, row housing, and  
2 townhouses. But, as I indicated, we're looking at just  
3 finalizing a strategy where we can be servicing multi-  
4 unit residential buildings in the LICO-125 market.

5 MR. BYRON WILLIAMS: And that's  
6 helpful. My client will listen to that with great  
7 interest. But let's focus -- in terms of the  
8 population, leaving aside the -- the population in --  
9 in multi-unit residential buildings, you're looking at  
10 a target population of about one hundred and fifteen  
11 thousand (115,000) homes, agreed?

12 MS. COLLEEN GALBRAITH: That is  
13 correct.

14 MR. BYRON WILLIAMS: And roughly a  
15 hundred thousand (100,000) -- hundred and five thousand  
16 (105,000) of those homes are owned by -- are -- are  
17 owned, and then another ten thousand (10,000) would be  
18 renters.

19 Would that be fair?

20 MS. COLLEEN GALBRAITH: Yes, that's  
21 correct.

22 MR. BYRON WILLIAMS: And are you able -  
23 - I'm sure you have it just right at the tip of your  
24 fingertips -- to provide an estimate of the population  
25 less than LICO-125 for multi-unit residential

1 buildings?

2 MS. COLLEEN GALBRAITH: Sorry. To  
3 qualify, it's the multi-unit residential buildings  
4 contained with the LICO-125 market?

5 MR. BYRON WILLIAMS: Yes.

6 MS. COLLEEN GALBRAITH: Yes. So for  
7 individually metered suites where a tenant would be  
8 receiving their own bill, it's approximately twenty-  
9 five thousand (25,000). Of that, there are  
10 approximately nineteen thousand (19,000) that are  
11 renters, and then the difference would be owners. So  
12 it could be condominium owners.

13 The one (1) estimate that we don't have  
14 particulars on is the bulk-metered apartments where a  
15 tenant does not receive their own individual bill. But  
16 our best estimation is that it's approximately the same  
17 as the individually.

18 So we're looking at a total of  
19 approximately fifty thousand (50,000) suites, and  
20 that's based on our 2009 residential survey.

21 MR. BYRON WILLIAMS: And just if I  
22 haven't thrown enough numbers on the table to confuse  
23 everything, so if we just focus on the multi-unit  
24 residential buildings, that's a new fifty thousand  
25 (50,000) units approximately that you're trying to

1 design some new programs for, agreed?

2 MS. COLLEEN GALBRAITH: That is  
3 correct.

4 MR. BYRON WILLIAMS: And in terms of  
5 the program as it's historically developed, that --  
6 that -- the target population is an additional one  
7 hundred and fifteen thousand (115,000) homes, agreed?

8 MS. COLLEEN GALBRAITH: That's correct.

9 MR. LLOYD KUCZEK: Mr. Williams, maybe  
10 it's a good opportunity for me to address this issue  
11 about the dollars in '16/'17. It appears that we filed  
12 the wrong report, and it wasn't the final report. So  
13 we'll have to refile this document with you.

14 The correct number for that year would  
15 have been \$7.4 million.

16 MR. BYRON WILLIAMS: How wrong is this  
17 report, Mr. Kuczek? It's just a -- is it materially  
18 different?

19 MR. LLOYD KUCZEK: We're not sure at  
20 this point. We're starting to have too many Power  
21 Smart Plans even within one (1) year now. And so  
22 unfortunate. MR. BYRON WILLIAMS: So, Ms. Galbraith,  
23 just in terms of the target population currently in  
24 terms of homes with poor or fair insulation levels, my  
25 understanding is that Hydro has identified roughly

1 twenty-five thousand three hundred (25,300) homes,  
2 agreed?

3 MS. COLLEEN GALBRAITH: That is our  
4 estimate based on the 2009 residential survey.

5 MR. BYRON WILLIAMS: And you've  
6 conducted a 2014 residential survey. Have you got the  
7 results yet?

8 MS. LOIS MORRISON: The surveys have  
9 been received. However, we are just beginning the --  
10 the analysis.

11 MR. BYRON WILLIAMS: And, Ms. Morrison,  
12 Manitoba has grown since then -- since 2009, much like  
13 my waistline?

14 MS. LOIS MORRISON: I can comment on  
15 the population. The population has grown, yes.

16 MR. BYRON WILLIAMS: Was that a shot,  
17 Ms. Morrison?

18 MS. LOIS MORRISON: As I said, I am not  
19 commenting.

20 MR. BYRON WILLIAMS: The panel can take  
21 judicial notice of that without too much difficulty.

22 In terms of the population based upon  
23 the 2009 residential survey with standard efficient  
24 furnaces, the Corporation's estimating that to be about  
25 twenty thousand five-hundred (20,500).



1 Corporation, by way of undertaking, provide the -- the  
2 split between urban and rural for the target population  
3 of one hundred and fifteen thousand (115,000) and, if  
4 the figures are readily available, First Nation as  
5 well, on reserve?

6 MS. LOIS MORRISON: Yes, we can do so.

7 MR. BYRON WILLIAMS: Okay. And just so  
8 the undertaking is clear, there -- my understanding is  
9 they're undertaking to provide the urban versus rural,  
10 and only the First Nation on reserve if it's readily  
11 derived, agreed?

12 MS. LOIS MORRISON: Agreed.

13 MR. BYRON WILLIAMS: And would similar  
14 calculations be available for the estimates of the  
15 population with poor to fair insulation, and the  
16 population with standard furnaces?

17 MS. LOIS MORRISON: Yes, we can do so.

18 MR. BYRON WILLIAMS: Okay. So the  
19 further undertaking is to provide a breakdown of those  
20 two (2) additional populations, that relating to poor  
21 to fair insulation as well as standard furnaces on a  
22 urban and rural breakdown, and if -- if First Nation on  
23 reserve is readily accessible, agreed?

24 MS. LOIS MORRISON: Yes.

25 MR. BYRON WILLIAMS: And, thank you. I

1 appreciate that.

2

3 --- UNDERTAKING NO. 65: Manitoba Hydro to provide  
4 the split between urban and  
5 rural for the target  
6 population of one hundred  
7 and fifteen thousand  
8 (115,000) and, if the  
9 figures are readily  
10 available, First Nations on  
11 reserve, and to provide a  
12 breakdown of those two (2)  
13 additional populations  
14 relating to poor to fair  
15 insulation as well as  
16 standard furnaces on a  
17 urban and rural breakdown,  
18 and First Nation on reserve  
19 if readily accessible

20

21 CONTINUED BY MR. BYRON WILLIAMS:

22 MR. BYRON WILLIAMS: If we can turn to  
23 page 18 of 51, being Coalition -- yes, thank you. Now,  
24 if we go to the second column under the label 2007/'08  
25 to 2014/'15, Ms. Galbraith, you'll see the number of

1 insulation projects completed, and the number of  
2 furnaces installed as well.

3 Do you see those references?

4 MS. COLLEEN GALBRAITH: Yes.

5 MR. BYRON WILLIAMS: And the fourth  
6 line down we see that there's been only about eighty-  
7 nine (89) boilers installed.

8 Is that accurate, as well?

9 MS. COLLEEN GALBRAITH: Yes.

10 MR. BYRON WILLIAMS: In terms of the  
11 population estimated of twenty-five thousand (25,000)  
12 homes with poor or fair insulation, would it be  
13 accurate to suggest that the Corporation hopes to reach  
14 about 68 percent of those homes by the year 2026/'27?

15 MS. COLLEEN GALBRAITH: Yes.

16 MR. BYRON WILLIAMS: And in terms of  
17 the population of furnaces, you're looking at reaching  
18 about 56 percent by 2022/'23 with the expectation that  
19 a lot of the others will be replaced through attr --  
20 attrition, agreed?

21 MS. COLLEEN GALBRAITH: Yes. And I  
22 should state that those are natural gas furnace  
23 replacements.

24 MR. BYRON WILLIAMS: Yes, fair enough.  
25 If we could turn to slide 29 of Manitoba Hydro's

1 PowerPoint from Monday, that would be appreciated.

2 Ms. Galbraith, do you see this target of  
3 affordable energy all homes, and aiming at, by  
4 2028/'29, participation of forty-five thousand, five  
5 hundred and fifty-eight homes (45,558) homes?

6 Do you see that?

7 MS. COLLEEN GALBRAITH: Yes.

8 MR. BYRON WILLIAMS: And to your  
9 knowledge, is that number sourced on the record?

10

11 (BRIEF PAUSE)

12

13 MS. COLLEEN GALBRAITH: No, I do not  
14 believe it's referenced in anything that's been filed  
15 today other than in the presentation.

16

17 (BRIEF PAUSE)

18

19 MR. BYRON WILLIAMS: I wonder if you  
20 can, by way of undertaking, provide a derivation of  
21 that calculation, or a source for it? Like -- oh, let  
22 me -- let me try this again.

23 Does that figure include gas and  
24 electric?

25 MS. COLLEEN GALBRAITH: Yes, that is

1 total participation for the Affordable Energy Program.

2 MR. BYRON WILLIAMS: And if... And  
3 when were these estimates developed?

4 MS. COLLEEN GALBRAITH: In preparing  
5 our planning process for the '15/'16 year. I can't  
6 remember the exact date.

7 MR. BYRON WILLIAMS: And perhaps just  
8 to try and explain the problem we're having, Ms.  
9 Galbraith, I wonder if I can ask you to -- Diana to  
10 turn to Manitoba Hydro --Coalition/Hydro-I-11? It's a  
11 long table. It's...

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: MKO/Coalition-I-  
16 11(a) to (d), Attachment 1, page 1 of 2.

17

18 (BRIEF PAUSE)

19

20 MR. BYRON WILLIAMS: And if we go the  
21 fourth line down, Ms. Galbraith, you'll -- you'll see  
22 under, "Incentive-based Affordable Energy Program."  
23 Diana, if you could go down four (4) lines?

24 Do you see that?

25 MS. COLLEEN GALBRAITH: Yes.

1 MR. BYRON WILLIAMS: And if we run this  
2 line out to -- stop there for a minute, Diana. We see  
3 a reference to an eligible market at the time of  
4 program inception of fifty thousand (50,000).

5 Do you see that?

6 MS. COLLEEN GALBRAITH: Yes.

7 MR. BYRON WILLIAMS: And then if we  
8 roll out -- continue going to your right on that line  
9 all the way out to twenty (20) -- to the end, Diana,  
10 2028/'29 -- or 2026/'27. Ms. Galbraith, there's a --  
11 you see a relatively slow growth of par -- of  
12 participation in -- in this program. And I'm trying to  
13 reconcile the figures from slide 29 versus -- versus  
14 this table.

15 MS. COLLEEN GALBRAITH: The IR in  
16 question is our electric only participation, as where  
17 the graph provides total participation, both gas --  
18 natural gas and electric, and other.

19 MR. BYRON WILLIAMS: And if I -- if I  
20 did buy affordable energy just for electric, would I --  
21 would I be correct in suggesting that the cumulative  
22 participation out to 2028/'29 might be about twenty-  
23 four thousand (24,000)? And my source for that is  
24 Appendix 8.1, page 9.

25

1 (BRIEF PAUSE)

2

3 MS. COLLEEN GALBRAITH: Yes, based on  
4 the projections from the '14/'15 supplemental plan.  
5 However, these projections do not include the  
6 enhancements which I spoke to for the First Nation  
7 communities with the basic energy efficiency measures  
8 amongst the drain water heat recovery units.

9 MR. BYRON WILLIAMS: And is there a  
10 figure of -- that you could provide us for just  
11 electric going out to '28/'29 based upon those  
12 improvements, those changes to the plan?

13

14 (BRIEF PAUSE)

15

16 MS. COLLEEN GALBRAITH: Yes, we can  
17 undertake to do that.

18

19 --- UNDERTAKING NO. 66: Manitoba Hydro to provide a  
20 figure for electric-only  
21 going out to '28/'29 based  
22 upon enhancements to energy  
23 efficiency measures amongst  
24 the drain water heat  
25 recovery units

1

2 CONTINUED BY MR. BYRON WILLIAMS:

3

MR. BYRON WILLIAMS: I wonder if we can  
4 turn to -- back to Coal -- MKO/Coalition-I-9, page 45  
5 of 88.

6

7

(BRIEF PAUSE)

8

9

MR. BYRON WILLIAMS: Yeah, page 45 of  
10 88, please. Thank you, Diana. In terms of what -- you  
11 see a reference here to the landlord/tenant channel,  
12 Ms. Galbraith?

13

MS. COLLEEN GALBRAITH: Yes.

14

MR. BYRON WILLIAMS: And that's the  
15 pathway that's relatively new that was implemented in  
16 July of 2013, agreed?

17

MS. COLLEEN GALBRAITH: Yes, for  
18 private landlords.

19

MR. BYRON WILLIAMS: And in terms of  
20 that -- that pathway, I understand that you've made  
21 some relatively recent changes to the pathway in that  
22 originally the landlords needed -- the landlords  
23 needed to commit to rent -- to -- to lower income ten -  
24 - tenants for ten (10) years and that was subsequently  
25 reduced to committing to -- to rent for five (5) years,

1 agreed?

2 MS. COLLEEN GALBRAITH: Yes, and it was  
3 actually ultimately reduced to one (1) year, which is  
4 the same requirement on the homeowners that participate  
5 through the Affordable Energy Program. The original  
6 intent of the condition was to ensure that a lower-  
7 income tenant would benefit from the upgrades that  
8 would be provided, for the vast majority, free to  
9 participating landlords. But we found it was a  
10 barrier, as some landlords expresses some challenges in  
11 ensuring that they could maintain a lower income  
12 individual, so we ultimately removed that barrier.

13 MR. BYRON WILLIAMS: And so currently  
14 the only requirement is that the landlord can't sell  
15 the property within the first year.

16 Is that accurate?

17 MS. COLLEEN GALBRAITH: That is  
18 correct.

19 MR. BYRON WILLIAMS: And just so I  
20 understand it, to the extent that there are -- are  
21 benefits in that first year investment, then the hope  
22 is that low-income tenants can -- can benefit for at  
23 least that one (1) year.

24 Is that the intent?

25 MS. COLLEEN GALBRAITH: Yes, along with

1 those in future residing in those homes as the energy  
2 efficiency upgrades would have been provided, so there  
3 are future benefits.

4 MR. BYRON WILLIAMS: And you suggested  
5 that asking landlords to commit to ten (10) or five (5)  
6 years in terms of renting to low-income tenants was --  
7 was a barrier to intake for the program, or a barrier  
8 to the reception of the program in the marketplace?

9 MS. COLLEEN GALBRAITH: Yes, that is  
10 some of the feedback that we did receive from private  
11 landlords.

12 MR. BYRON WILLIAMS: So when was the  
13 one (1) year can't sell the property change  
14 implemented?

15 MS. COLLEEN GALBRAITH: I believe it  
16 was in the fall of 2014.

17 MR. BYRON WILLIAMS: And since that  
18 time, can you give us an indication of how many  
19 landlords have applied through this channel?

20

21 (BRIEF PAUSE)

22

23 MS. COLLEEN GALBRAITH: I don't have  
24 specific numbers from when the change was implemented  
25 of the one (1) year condition, but I can speak to how

1 many private landlords have come through our program  
2 since July of 2013.

3 MR. BYRON WILLIAMS: That would be  
4 helpful. And by 'this program', are you speaking of  
5 the Affordable Energy Program or all landlords through  
6 -- through this program?

7 MS. COLLEEN GALBRAITH: I can give you  
8 both, actually.

9 MR. BYRON WILLIAMS: Of both. Thank  
10 you.

11 MS. COLLEEN GALBRAITH: So these  
12 numbers are to the end of May, to May 31st, 2015. All  
13 tenants and landlords that have participated through  
14 the Affordable Energy Program totalled two thousand,  
15 three hundred and sixty-two (2,362).

16 Of that number, for the private landlord  
17 channel, we've received over two hundred and seventy  
18 (270) applications.

19 MR. BYRON WILLIAMS: And those are for  
20 low income?

21 MS. COLLEEN GALBRAITH: Yes. I'm  
22 speaking just to the participation in the Affordable  
23 Energy Program.

24 MR. BYRON WILLIAMS: Thank you. Now,  
25 in the evaluation by Dunsky, there was a recommendation

1 that -- that Hydro undertake a strategic outreach ble -  
2 - blitz to landlords, property managers, and their  
3 associations in early 2015.

4 Does that ring a bell?

5 MS. COLLEEN GALBRAITH: Yes. And when  
6 we were conducting the review with Dunsky Engineering  
7 Consulting, if we were to go through the individual  
8 pages, a lot of the items were continue to do our  
9 outreach with landlords and tenants. So it's not  
10 necessarily a new recommendation.

11 MR. BYRON WILLIAMS: Okay. Fair  
12 enough. If we could go to page 39 of 88 of this  
13 document, being the third-party review.

14

15 (BRIEF PAUSE)

16

17 MR. BYRON WILLIAMS: That's perfect.  
18 Thank you, Diana.

19 Now, recognizing that this is as of  
20 August 31st, 2014, what Table 4.4 presents is the  
21 percent of applications accepted and of projects  
22 completed as of August 31st, 2014.

23 Do you see that?

24 MS. COLLEEN GALBRAITH: Yes, that is  
25 correct.

1 MR. BYRON WILLIAMS: And we see with  
2 regards to the First Nation channel or the social  
3 housing, the percentage of projects completed was at or  
4 very close to 100 percent, agreed?

5 MS. COLLEEN GALBRAITH: That is  
6 correct.

7 MR. BYRON WILLIAMS: And at that point  
8 in time, we see for the Neighbourhood Power Smart  
9 Project the percent of projects completed was 30  
10 percent, agreed?

11 MS. COLLEEN GALBRAITH: That is  
12 correct.

13 MR. BYRON WILLIAMS: Do you have an  
14 update in terms of the Neighbourhood Power Smart  
15 Projects?

16 MS. COLLEEN GALBRAITH: Yes. Are you  
17 looking for the total number of applicants?

18 MR. BYRON WILLIAMS: I'm particularly -  
19 - let's get the total number of applicants as well as  
20 the percentage of projects completed.

21 MS. COLLEEN GALBRAITH: So again, these  
22 numbers are to the end of May, so May 31st, 2015. The  
23 total applications received is two hundred and thirty-  
24 nine (239), and that includes both the regular  
25 canvassing that the community canvassers are

1 conducting, along with a street-by-street initiative.

2 To the end of May 31st, 2015, there are  
3 ninety-four (94) homes that have complete. The  
4 remainder are a work in progress.

5 MR. BYRON WILLIAMS: And in terms of  
6 the two hundred and thirty-nine (239) in which  
7 applications have been accepted, would that total date  
8 back to November of 2012?

9 MS. COLLEEN GALBRAITH: Yes. That's  
10 since the inception of the neighbourhood initiative.

11 MR. BYRON WILLIAMS: If we can turn to  
12 -- back to GAC 155(d), Attachment 1, page 20 of 118.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: Page 20 of 118.  
17 Thank you, Diana. And focussing -- that's perfect  
18 there.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: Focussing on the  
23 third paragraph, and -- and first of all, Ms.  
24 Galbraith, this is again from the process evaluation of  
25 the Affordable Energy Program, agreed?

1 MS. COLLEEN GALBRAITH: That is  
2 correct.

3 MR. BYRON WILLIAMS: And one (1) of the  
4 -- I'll suggest to you that one (1) of the barriers  
5 identified by the William Whyte neighbourhood  
6 coordinator in terms of the completion of the work lay  
7 with the challenges with the selected contractors.

8 Would that be fair?

9 MS. COLLEEN GALBRAITH: That is  
10 correct.

11 MR. BYRON WILLIAMS: And what the  
12 William Whyte neighbourhood coordinator was noting at  
13 the time, if we go down, and -- a little bit farther on  
14 that paragraph -- that's fine there -- was that the --  
15 the selected contractor was an SEC, capitalized, and --  
16 and that they -- they were having challenges related to  
17 the high turnover, and the need to continually retrain  
18 new staff, agreed?

19 MS. COLLEEN GALBRAITH: That is  
20 correct.

21 MR. BYRON WILLIAMS: And we'll -- we'll  
22 get to the sta -- where we are in a couple moments, but  
23 if we could just turn to page 24 of the same document,  
24 being Coalition -- or GAC-I-55(d), and going down to  
25 the -- the fourth paragraph, you have the technical

1 advisors employed by Manitoba Hydro identifying  
2 challenges in successfully completing the homes due to  
3 inefficiencies in the upgrades.

4 Do you see that reference?

5 MS. COLLEEN GALBRAITH: Yes.

6 MR. BYRON WILLIAMS: And again, they're  
7 relating these challenges to, going down to the last  
8 paragraph, the high turnover in this particular  
9 workforce resulting in ongoing loss of skills and  
10 competencies, and the continual need for new training,  
11 agreed?

12 MS. COLLEEN GALBRAITH: That is  
13 correct.

14 MR. BYRON WILLIAMS: And what would be  
15 helpful for our clients to understand is, since this  
16 evaluation, the activities undertaken by Manitoba Hydro  
17 working with its -- its community SEC partners to imp -  
18 - improve the performance relating to -- to the  
19 contractors.

20 MS. COLLEEN GALBRAITH: I'd be happy to  
21 share with you. So the North End Community Renewal  
22 Corporation, along with Brandon Neighbourhood Renewal  
23 Corporation, had their preferred social enterprise  
24 contractor, so they were promoting the social  
25 enterprise contractor. Recognizing that there were

1 some challenges in getting the work completed, working  
2 with North End Community Renewal Corporation, they have  
3 actually since changed to another social enterprise  
4 contractor, where we are confident that the work is  
5 being completed in a more timely manner.

6                   Recognizing that there are challenges  
7 with employees working in social enterprise  
8 contractors, Manitoba Hydro continuously provides  
9 support and assistance where needed to build any  
10 additional skills required to complete the retrofit  
11 work under the Affordable Energy Program.

12                   MR. BYRON WILLIAMS:    When was the  
13 change undertaken?

14                   MS. COLLEEN GALBRAITH:    I don't have  
15 the exact date, but I could undertake to check.

16                   MR. BYRON WILLIAMS:    Just roughly. I  
17 don't -- I don't think you need to do an undertaking.

18                                   Was it 2015, 2014?

19                   MS. COLLEEN GALBRAITH:    Yeah, I believe  
20 it was in the fall of 2014.

21                   MR. BYRON WILLIAMS:    And how does --  
22 can you give us some sense of the verification or audit  
23 process that Hydro goes through, recognizing the  
24 particular challenges that you've -- you've experienced  
25 with upgrades related to the -- some of -- some of

1 these homes?

2 MS. COLLEEN GALBRAITH: The Affordable  
3 Energy Program has a post evaluation that's conducted.  
4 So all -- all participants do receive a free in-home  
5 energy efficiency review conducted by a third-party  
6 energy advisor. And we do have projections for where  
7 we do complete post inspections, and what we're looking  
8 for is to ensure that the upgrades have been completed  
9 to Power Smart standards.

10 If there are deficiencies identified, we  
11 work with the individual contractors to get those  
12 resolved for our customer.

13 MR. BYRON WILLIAMS: Just a last thing  
14 on the neighbourhood organizations. You've noticed an  
15 uptake in the street-by-street events -- sorry, in the  
16 neighbourhood intake since the initiation of the  
17 street-by-street events in May of 2014, agreed?

18 MS. COLLEEN GALBRAITH: That is  
19 correct. It's proving to be quite effective.

20 MR. BYRON WILLIAMS: And with the  
21 additional commitment -- you've made an additional  
22 commitment in terms of staffing to the North End  
23 Renewal Corporation to pursue additional canvassing in  
24 -- in the areas?

25 MS. COLLEEN GALBRAITH: That is

1 correct. As I mentioned in the presentation yesterday,  
2 when we were targeting these events, we were typically  
3 completing one (1) every two (2) to three weeks. We  
4 are now targeting one (1) a week for the four (4)  
5 typically warmer months in our season, but we will  
6 continue to offer them until the weather turns cold.

7 I will add that we were actually out  
8 first thing in the spring when we had an earlier break,  
9 and, unfortunately, it snowed the day before. But we  
10 are out there as best we can to promote the program and  
11 increase participation.

12 MR. BYRON WILLIAMS: And I wonder if  
13 you can indicate in terms of the -- the North End  
14 Neighbourhood Program what the target is for  
15 applications for the '15/'16 year?

16 MS. COLLEEN GALBRAITH: We don't have a  
17 specific target for the North End Community Renewal  
18 Corporation, but through our Neighbourhood Power Smart  
19 Project, our target, as identified in the highlight  
20 section of our one (1) year Power Smart Plan, is a  
21 hundred homes. And I'm happy to report it was the same  
22 target last year, and we received over a hundred and  
23 forty (140) applications.

24 So we're quite confident that we can  
25 achieve this target, if not exceed it, with our more

1 aggressive strategy this year.

2 MR. BYRON WILLIAMS: Okay, thank you.

3 And just, Mr. Chair, I've probably got about twenty

4 (20) minutes or so, so just let me confer with My

5 Friend, Mr. Masi. I think we're okay.

6

7 (BRIEF PAUSE)

8

9 MR. BYRON WILLIAMS: And if I might

10 just have a second with my client?

11

12 (BRIEF PAUSE)

13

14 MR. BYRON WILLIAMS: Diana, if I could

15 ask you to go back -- flip back to MKO/Coalition-I-9,

16 page 50 of 88?

17 Ms. -- Ms. Galbraith -- Galbraith,

18 excuse me, if there was more time, I'd give you more

19 time to brag. I don't mean that in a dero -- or to --

20 you know me, I brag, so I didn't mean that derogatory.

21 Without asking you to elaborate, in

22 terms of the third-party evaluation of the Affordable

23 Energy Program, you got not a bad report card from

24 Dunsky at all.

25 Would that be fair?

1 MS. COLLEEN GALBRAITH: I would agree  
2 with you. I found that the report was of value,  
3 because it helped reaffirm some of the initiatives that  
4 we are looking at and implementing the Affordable  
5 Energy Program while it did provide some new insight  
6 for us to consider as we move forward.

7 MR. BYRON WILLIAMS: And one (1) of the  
8 areas where Mr. Dunsky said there was still  
9 opportunities for improvement related to the -- you'll  
10 agree with me, related to electric low income  
11 customers, agreed?

12 MS. COLLEEN GALBRAITH: Yes, he did  
13 make some recommendations for us to further consider.

14 MR. BYRON WILLIAMS: And it would be  
15 fair to say that he suggested that there was a bit of a  
16 -- a gap in terms of serving electric low income  
17 customers in that they represented 44 percent of the  
18 target market -- market, but only 22 percent of  
19 participants in the AEP?

20 MS. COLLEEN GALBRAITH: That is  
21 correct.

22 MR. BYRON WILLIAMS: And I take it you  
23 accept that calculation by Mr. Dunsky, or his firm?

24 MS. COLLEEN GALBRAITH: Yes, we do.

25 MR. BYRON WILLIAMS: And there was also

1 a suggestion that the savings per electric customer  
2 under the AEP per participant are also lower than for  
3 gas customers. Do remi -- remember that suggestion as  
4 well by -- by the third-party consultant?

5 MS. COLLEEN GALBRAITH: Yes.

6 MR. BYRON WILLIAMS: And the thrust of  
7 the third-party report in terms of this gap is the --  
8 the lack of a good alternative for homes heated with  
9 electric baseboards, agreed?

10 MS. COLLEEN GALBRAITH: That is  
11 correct.

12 MR. BYRON WILLIAMS: And you weren't  
13 here last year during the NFAT, or were you?

14 MS. COLLEEN GALBRAITH: No, I believe I  
15 was here one (1) day, but no. For the majority of it,  
16 no, I was not.

17 MR. BYRON WILLIAMS: But Mr. Kuczek or  
18 Ms. Morrison would recall that during the NFAT the  
19 consumer and -- CAC (Manitoba) and the MMF brought  
20 forward a -- a witness, Mr. Gio Robinson (phonetic) and  
21 -- and he shared his views about the opportunities for  
22 air source heat pumps in capu -- communities such as  
23 Pimicikamak.

24 Does that ring a bell?

25 MS. LOIS MORRISON: Yes, we recall that

1 Mr. Robinson came forward and spoke to some  
2 opportunities in the area of cold-climate air-source  
3 heat pumps.

4 MR. BYRON WILLIAMS: And you've  
5 indicated, Ms. Morrison, that Hydro is currently field  
6 testing air source heat pumps.

7 Is that right?

8 MS. LOIS MORRISON: We ourselves are  
9 not. We didn't install them, but we are monitoring two  
10 (2) installations to have a better understanding of  
11 their long-term performance and actual energy  
12 efficiency performance in field.

13 MR. BYRON WILLIAMS: And the  
14 Corporation is aware that field testing is also under -  
15 - been underway -- undergone in the Yukon, Alaska, and  
16 the Pacific Northwest, agreed?

17 MS. LOIS MORRISON: Our technical staff  
18 have been in contact with and discussions with the  
19 individuals, or the -- the organization doing the field  
20 testing in the Yukon and have been monitoring the work  
21 done there. And there's been an agreement to share  
22 data between the two (2) entities.

23 MR. BYRON WILLIAMS: And Mr. Masi may  
24 have a few more questions in that regard, so I'll leave  
25 that to him. Ms. Galbraith, just going back to GAC-I-

1 55, again, to page 18 of 118.

2

3

(BRIEF PAUSE)

4

5 MR. BYRON WILLIAMS: And, Diana, under  
6 'marketing', if I could direct you down to the -- the  
7 second paragraph, and right -- actually where -- the  
8 fourth-last line. You'll see, Ms. Galbraith, in terms  
9 of the -- the knowledge of field staff, a concern being  
10 expressed that within the last two (2) years no  
11 training or presentations on the AEP have been provided  
12 to -- to frontline employees.

13 Did -- do you see that?

14 MS. COLLEEN GALBRAITH: I do. And as I  
15 commented earlier, we did not conduct the entirety of  
16 staff that are involved in the Affordable Energy  
17 Program. It was a representative sample. And  
18 unfortunately, it may be an individual who was not  
19 aware, as we do conduct sessions of training, as well  
20 as send out communication via email when there are  
21 updates to the program.

22 MR. BYRON WILLIAMS: And I guess one  
23 (1) of the concerns actually referenced in this -- this  
24 paragraph, which I can relate to is that many of the  
25 email court communications go unread.

1 MS. COLLEEN GALBRAITH: That can be the  
2 case, yes.

3 MR. BYRON WILLIAMS: If we can just  
4 finish off on this topic. Turn to page 22 of 118.

5

6 (BRIEF PAUSE)

7

8 MR. BYRON WILLIAMS: And directing your  
9 attention to the first full paragraph, you see a number  
10 of district office representatives that's been asked to  
11 explain the Affordable Energy Program with the  
12 suggestion that unfortunately only two (2) of the nine  
13 (9) knew the basic details.

14 Do you see that reference?

15 MS. COLLEEN GALBRAITH: I do.

16 MR. BYRON WILLIAMS: And is there --  
17 what, if any, changes since this evaluation in terms of  
18 communicating with the -- the folks outside of Winnipeg  
19 has the Corporation undertaken?

20 MS. COLLEEN GALBRAITH: As you've  
21 noted, that at times the emails are not necessarily  
22 read. What we've gone and done is worked with a -- a  
23 manager, particularly in the district service office  
24 areas to disseminate the information to ensure that it  
25 does receive a higher importance level from -- say from

1 myself.

2                   As well, we are working with updated  
3 training to embed it in our overall training of new  
4 employees that are hired in the Corporation, which is  
5 available on our internal website.

6                   MR. BYRON WILLIAMS:    Do you have any  
7 observations in terms of whether or not, in terms of  
8 the outside -- let me try this again.  In terms of  
9 outside Brandon, outside Winnipeg, do you have any  
10 observations about the relative acceptance of the  
11 Affordable Energy Program?

12                   Is there a rural issue is what I'm  
13 trying to -- to ask, Ms. Galbraith?

14                   MS. COLLEEN GALBRAITH:    I would say  
15 that there's not an issue with -- and you're referring  
16 to attracting rural participants?  I would say no.  We  
17 certainly recognize that there are opportunity, as  
18 there are in larger urban centres.  So I would not say  
19 that it's a challenge.

20                   MR. BYRON WILLIAMS:    Mr. Kuczek or Ms.  
21 Morrison, you remember during the NFAT, one (1) of the  
22 witnesses presented by Manitoba Hydro came from the  
23 firm known as EnerNOC, N-O-C capitalized.

24                   Do you remember that?

25                   MS. LOIS MORRISON:    Yes.

1 MR. BYRON WILLIAMS: And EnerNOC is a  
2 firm that undertook a -- a DSM potential study for the  
3 Corporation, agreed?

4 MS. LOIS MORRISON: Yes.

5 MR. BYRON WILLIAMS: And the firm was  
6 retained in 2011, agreed?

7 MS. LOIS MORRISON: I -- I believe your  
8 dates are correct.

9 MR. BYRON WILLIAMS: And in terms of  
10 when another DSM potential study would be undertaken,  
11 can you give us some sense in terms of the  
12 Corporation's plans? Is it a year out, two (2) years  
13 out?

14 Where are we?

15 MR. LLOYD KUCZEK: We -- given the  
16 current situation, we haven't really talked about it  
17 for the last year. And -- and, Mr. Williams, I -- I  
18 should add that Ms. Pilek has informed me that the  
19 version you have is pretty accurate.

20 There -- there just seem to have been  
21 that -- maybe that one (1) or it might have been a  
22 couple corrections that had to been made to the report.  
23 So you could feel comfortable that you have a fairly  
24 accurate report.

25 MR. BYRON WILLIAMS: Thank you, Mr.

1 Kuczek. In terms of why one undertakes DSM potential  
2 studies, it's -- it's to get a -- a second look, an  
3 external look at the marketplace from someone who's got  
4 a lot of experience in the marketplace, agreed?

5 MS. LOIS MORRISON: We will undertake  
6 an -- a DSM potential study to reaffirm our  
7 understanding of what opportunities remain in the  
8 marketplace. So the external consultant will bring to  
9 the table technologies that may not have been fully  
10 vetted, and it's an opportunity for our internal staff  
11 to refresh their understanding of the marketplace.

12 The important thing to note is that the  
13 external consultant will use a lot of int -- of data  
14 and understanding of the market characteristics that  
15 are contained within the Utility or the entity that is  
16 undertaking the DSM potential study.

17 MR. BYRON WILLIAMS: And just so I  
18 understand, Mr. Kuczek, it's -- just -- from the  
19 Corporation's perspective, given the uncertainty, it's  
20 -- in -- in it's current view, it -- it's not the time  
21 to -- to be looking around for -- for another potential  
22 study?

23 MR. LLOYD KUCZEK: No, because that --  
24 that undertaking took over two (2) years to complete,  
25 so we'd have to feel comfortable that we're -- we're

1 going to be delivering DSM if we were to initiate a  
2 study like that into the future.

3 MR. BYRON WILLIAMS: Mr. Barnlund, I've  
4 terribly neglected you. I'm not sure if you're the  
5 right guy. I only have, like, one (1) or two (2)  
6 questions. I'm sorry. I'll get you next time, maybe.

7 Just if -- I'm going to ask Diana to  
8 pull up Board Order 5/'12 from the -- of the Public  
9 Util -- tilities Board, and specifically, page 166.

10 And, Mr. Barnlund, I should have let you  
11 know I was going to refer you to this, so I apologize.  
12 But you see the Public Utilities Board, just in the  
13 very last paragraph, saying:

14 "In terms of developing a definitive  
15 bill assistance program, the Board  
16 needs further inf -- information as  
17 to existing funding made available by  
18 government and the programs available  
19 to directly or indirectly alleviate  
20 energy poverty."

21 Do you see that reference, sir?

22 MR. GREG BARNLUND: Yes, I do.

23 MR. BYRON WILLIAMS: And I'm just --  
24 sir, has Manitoba Hydro since that -- that hearing  
25 undertaken any further research into the funding

1 structures in terms of government and the programs made  
2 available to directly or indirectly alleviate energy  
3 poverty?

4 MR. GREG BARNLUND: Well, my  
5 understanding of this finding, it was not a directive  
6 or it was not a recommendation to Manitoba Hydro. As  
7 such, we have not undertaken any formal work in that  
8 respect.

9 MR. BYRON WILLIAMS: Okay. An that  
10 wasn't meant in a negative way, Mr. Barnlund. I just  
11 wanted to --

12 MR. GREG BARNLUND: Understood.

13 MR. BYRON WILLIAMS: -- clar --  
14 clarify. Members of the panel, we appreciate the time  
15 and thank you very much.

16 THE CHAIRPERSON: I think it's probably  
17 an appropriate time to take a break, so let's take ten  
18 (10) minutes. Be back here at twenty (20) after. And  
19 over to you after that, Mr. Masi. Thank you.

20

21 --- Upon recessing at 2:08 p.m.

22 --- Upon resuming at 2:23 p.m.

23

24 THE CHAIRPERSON: I believe that we're  
25 ready to resume the proceedings. Mr. Masi, are you

1 ready to start the questions?

2 MR. TOMAS MASI: Yes. Thank you, Mr.  
3 Chair.

4

5 CROSS-EXAMINATION BY MR. TOMAS MASI:

6 MR. TOMAS MASI: Similar to the other  
7 Intervenors and counsel for the Intervenors, sorry,  
8 anyone that wants to answer these questions feel free  
9 to just jump in. Hydro would agree that for the  
10 overall residential market Power Smart -- the Power  
11 Smart Program is the primary strategy employed to  
12 assist customers in lowering their home energy costs.

13 Is that correct?

14 MR. LLOYD KUCZEK: Correct.

15 MR. TOMAS MASI: And Hydro's overall  
16 strategy to mitigate bill impacts for its customers  
17 involves, not only DSM, but also bill management and  
18 emergency financial assistance.

19 Is that correct?

20 MR. LLOYD KUCZEK: Correct.

21 MR. TOMAS MASI: And in response to --  
22 I don't think we'll need to pull this up. But in  
23 response to MMF Round 1, question 41, Hydro stated that  
24 another key strategy employed to assist all customers  
25 in lowering their energy costs is the heating fuel

1 choice initiative.

2 Is that correct?

3 MS. LOIS MORRISON: That is correct.

4 MR. TOMAS MASI: And the objective of  
5 the heating fuel choice initiative is to increase  
6 awareness and understanding of total lifetime costs of  
7 different fuels, such as natural gas, electricity, and  
8 geothermal heating systems.

9 Is that correct?

10 MS. LOIS MORRISON: The purpose of that  
11 initiative, yes, includes all that, but also just to  
12 have customers ensure that when they do make a decision  
13 on what heating fuel source they're going to be using  
14 of all the options that are available to them, that  
15 they consider all costs.

16 MR. TOMAS MASI: That would include the  
17 upfront costs for the actual system itself, and then  
18 the overall operating cost of that system on a go-  
19 forward basis?

20 MS. LOIS MORRISON: Yes.

21 MR. TOMAS MASI: And to aid in  
22 offsetting the capital cost of a new heating system  
23 Manitoba Hydro also offers on-bill financing through  
24 its various financing programs, including the Power  
25 Smart residential loan and the Power Smart Pays

1 Financing Program and the Residential Earth Power Loan.

2 Is that correct?

3 MS. LOIS MORRISON: That is correct.

4 MR. TOMAS MASI: In response to MMF  
5 Round 1, question 34, Hydro states that customers who  
6 struggle to pay their bills is a primary target market  
7 for Manitoba Hydro's Affordable Energy Program.

8 Is that correct?

9 MS. COLLEEN GALBRAITH: That is  
10 correct.

11 MR. TOMAS MASI: And I think we have  
12 gone through the Affordable Energy Program in terms of  
13 some of the offerings. But just at a high level,  
14 essentially, the main offerings are free in-home energy  
15 efficiency audit, free basic measures, free insulation  
16 upgrades, high -- high efficiency natural gas furnace  
17 for a cost of five hundred and seventy dollars (\$570),  
18 and just recently added free drain-water heat recovery  
19 unit.

20 Is that correct?

21 MS. COLLEEN GALBRAITH: Yes, that is  
22 correct.

23 MR. TOMAS MASI: In terms of the free  
24 drain-water heat recovery system program, that's  
25 expected to be offered to low-income customers this

1 spring. Is that correct?

2 MS. COLLEEN GALBRAITH: We've actually  
3 implemented some of the drain water heat recovery units  
4 already with Manitoba housing. I referenced that  
5 yesterday in the presentation. For the overall market,  
6 we're currently promoting in First Nation communities,  
7 as well as we're currently securing contractors to  
8 install the units for any remaining homes under the  
9 Affordable Energy Program.

10 MR. LLOYD KUCZEK: And I should add, we  
11 have met with Manitoba Housing. We're -- we're  
12 interested in installing as many units as they're  
13 willing to install in their -- there's quite a few,  
14 Colleen. I'm not sure how many they have, but.

15 MS. COLLEEN GALBRAITH: Yes, he is  
16 correct.

17 MR. TOMAS MASI: So just to be clear,  
18 anyone that's eligible to participate in the Affordable  
19 Energy Program, can they take advantage of the -- the  
20 drain-water heat recovery unit program?

21 MS. COLLEEN GALBRAITH: I'm glad you  
22 asked that question. I can provide some clarification.  
23 So this is provided to those that are heating their  
24 water with electricity, so it's only for electrically  
25 heated water tanks, as well as the tank would have to

1 be in a lower level of where we typically would assume  
2 would be the main floor bathroom, as there is some --  
3 perhaps Ms. Morr -- Morrison might be able to speak  
4 better to this, but we have to have the tank lower than  
5 the actual shower unit.

6 So there are some conditions. So not  
7 necessarily absolutely everybody through the Affordable  
8 Energy Program who are all electric would qualify for  
9 the drain-water heat recovery unit.

10 MR. LLOYD KUCZEK: And it doesn't make  
11 sense in a number of homes we're finding, especially in  
12 First Nation homes.

13 MR. TOMAS MASI: Thank you. So -- so  
14 just to clarify, providing those conditions that you  
15 just mentioned are met by someone that was otherwise  
16 eligible to participate in -- in the Affordable Energy  
17 Program, including the fact that they have an electric  
18 -- electrically heated water tank, they would be able  
19 to participate in that program?

20 MS. COLLEEN GALBRAITH: Yes, it would  
21 be one (1) of the product offerings of the Affordable  
22 Energy Program.

23 MR. TOMAS MASI: It's not just for  
24 Manitoba Housing, for instance?

25 MS. COLLEEN GALBRAITH: That's correct.

1 It's for anybody who would meet the qualifying criteria  
2 under affordable energy.

3 MR. TOMAS MASI: Thank you. And,  
4 Diana, if you could just pull up page 184, which is  
5 actually Coalition Round 1, Question 69(r), Attachment  
6 2, page 14. And on this document -- yeah, that's --  
7 that's good. Thanks, Diana.

8 On this document Hydro anticipates that  
9 one thousand, eight hundred and fifty-six (1,856) homes  
10 will be reached by the drain rec -- water recovery  
11 initiative by 2015/2016.

12 Is that correct?

13

14 (BRIEF PAUSE)

15

16 MS. LOIS MORRISON: Subject to check,  
17 the drain-water heat recovery initiative listed there  
18 is an initiative that we've undertaken with the new  
19 home market. It's separate from the Affordable Energy  
20 Program, whereby we are providing, free of charge,  
21 drain-water heat recovery systems to new home builders  
22 who are wanting to install them.

23 And this is helping in anticipation to  
24 the upcoming new code changes that we had mentioned  
25 earlier in our presentation where all new homes will be

1 mandated to have drain-water heat recovery systems.  
2 This is capturing those last opportunities for those  
3 homes that are being built today prior to that code  
4 coming into place.

5 MR. TOMAS MASI: Thank you for that  
6 clarification. Does Hydro currently have any written  
7 marketing materials for the program either directed to  
8 the affordable energy customers, the ones that would  
9 participate in the Affordable Energy Program, or with  
10 respect to the new builds?

11 MS. COLLEEN GALBRAITH: I believe  
12 there's some information on our external website  
13 regarding the drain water hea -- drain-water heat  
14 recovery unit. As well, we are currently updating our  
15 marketing brochure, or our Affordable Energy Program  
16 brochure, to include the drain-water heat recovery  
17 unit.

18 MR. TOMAS MASI: Diana, if you could  
19 just go to page 185, which is page 7 of Coalition Round  
20 1, Attachment -- Coalition Round 1, Question 69, our  
21 Attachment 2. Manitoba Hydro indicates that it's  
22 estimated an additional fifteen hundred (1,500) drain-  
23 water heat recovery systems will be installed in  
24 Manitoba housing units.

25 Is that for this upcoming year?

1 MS. COLLEEN GALBRAITH: No, that's the  
2 estimation that Manitoba Housing initially provided for  
3 their units in its entirety. However, we've also since  
4 received some information from Manitoba Housing where  
5 if they were looking at switching, say, from an  
6 electrically heated water tank to natural gas, then  
7 they wouldn't be pursuing an installation of a drain-  
8 water heat recovery unit beforehand.

9 MR. TOMAS MASI: Okay.

10 MR. LLOYD KUCZEK: I -- I should also  
11 add that they have some concerns, so we're not sure how  
12 that's going to unfold with Manitoba Housing at this  
13 point. But we've met with them, and we told them that  
14 we're -- we're -- we would like them to install them.  
15 But like I say, they have some concerns, so we're not  
16 sure they're going to proceed.

17 MR. TOMAS MASI: Thank you for that  
18 clarification, Mr. Kuczek. In terms of the basic  
19 measures provided under the Affordable Energy Program,  
20 they include LED lights, shower heads, faucet aerators,  
21 pipe wrap, trap stoppers, and window kits.

22 Is that correct?

23 MS. COLLEEN GALBRAITH: That sounds  
24 like an inclusive list, yes.

25 MR. TOMAS MASI: In terms of the window

1 kits, just to be clear, they're simply the plastic film  
2 that you use as an additional barrier to your windows?

3 Do I understand that being correct?

4 MS. COLLEEN GALBRAITH: Yes. And we'll  
5 provide up to three (3) window kits.

6 MR. TOMAS MASI: Just moving on to the  
7 First Nation's Power Smart Program, that program  
8 provides similar measures that we -- from -- from the  
9 ones that we just went through, but also provides  
10 additional measures such as the geothermal heat pump  
11 installations.

12 Is that correct?

13 MS. COLLEEN GALBRAITH: The geothermal  
14 heat pump installation is part of our offering to First  
15 Nation communities, but it does not necessarily fall  
16 within the measures under the First Nations Power Smart  
17 program. As we've mentioned earlier in our testimony,  
18 that's administered and promoted through AKI Energy.

19 MR. TOMAS MASI: Okay. Thank you.

20

21 (BRIEF PAUSE)

22

23 MR. TOMAS MASI: Diana, if you could  
24 just move down to page 186? And this is page 8 of the  
25 2015/2016 Power Smart Program, I believe. In 2014

1 there were thirty-seven (37) new geothermal pumps  
2 installed in First Nation communities.

3 Is that correct?

4 MS. LOIS MORRISON: That was thirty-  
5 seven (37) new homes that were built with geothermal  
6 systems. In the 2014 year we installed more than that,  
7 if you read further down I believe, or -- just subject  
8 -- let me check first and see how many were installed  
9 in 2014.

10 MR. TOMAS MASI: Okay.

11 MR. LLOYD KUCZEK: I think I mentioned  
12 in my presentation there was a hundred seventy-seven  
13 (177) installed.

14 MR. TOMAS MASI: Thank you, Mr. Kuczek.  
15 And the plan for the 2015 year is an additional hundred  
16 and thirty-five (135) systems will be installed?

17 Is that correct?

18 MS. LOIS MORRISON: That is correct.

19 MR. TOMAS MASI: And just so I'm clear,  
20 once the geothermal system is installed, First Nation  
21 community members residing in homes that utilize the  
22 geothermal systems are enrolled into the Power Smart  
23 PAYS bill financing program.

24 Is that correct?

25 MS. LOIS MORRISON: That is correct.

1 MR. TOMAS MASI: And so those community  
2 members pay for a majority of the geothermal systems  
3 through the energy savings that are realized by  
4 converting to the geothermal system.

5 Is that correct?

6 MR. LLOYD KUCZEK: That's correct. We  
7 do -- we do have to subsidize that to get it to the --  
8 the point where it -- the bills are no higher with the  
9 financing through PAYS as well as the lower energy  
10 bills, but that's correct.

11 MR. TOMAS MASI: Thank you, Mr. Kuczek.  
12 And that was actually my next question.

13 Can Hydro provide an average as to how  
14 much it needs to incentivize the program in order to  
15 meet that objective for PAYS to work for the customer?

16 MR. LLOYD KUCZEK: I'd have to take an  
17 undertaking. I -- I don't know what that number is off  
18 the top of my head. It varies by house, and so varies  
19 by community, and so some homes don't require any  
20 incentives and others require more incentives.

21 So the -- the community plan is such  
22 that we will provide the dollars based on what the  
23 savings is worth to us into a fund, and the community  
24 uses that to draw on to implement or install more  
25 geothermal systems in -- in the homes. So they're

1 starting with the homes that require less funding so  
2 the pool is growing -- grows, and then they -- they're  
3 moving towards implementing geothermal systems in the  
4 homes that require more subsidy, so it draws from the  
5 fund.

6                   And so that's how the program is  
7 designed. So the average might be lower today but  
8 it'll -- it's going to be higher as we move into the  
9 homes that are smaller and require more of a subsidy.  
10 So if you -- if you require that number, we can get it  
11 for you but it's going to change as we move deeper into  
12 -- or further into the program.

13                   MR. TOMAS MASI: That's okay, Mr.  
14 Kuczek. Thank -- thank you for that explanation. Can  
15 you advise as to what a typical geothermal heat pump  
16 would cost in a typical residential application? And  
17 I'm not talking about the First Nation's program, just  
18 in general.

19                   Do you have a ballpark?

20                   MS. LOIS MORRISON: It can range quite  
21 dra -- quite significantly. But you can see  
22 installations excluding, as you mentioned the community  
23 geothermal program, you can see installations ranging  
24 from eighteen thousand (18,000) to thirty-five thousand  
25 dollars (\$35,000). Depending on the size of the home,

1 depending on the size of the systems, depending on the  
2 type of looping installed, it can range quite  
3 significantly.

4 MR. TOMAS MASI: Thank you, Ms.  
5 Morrison. How exactly does the geothermal pump program  
6 work in the First Nations communities or is it one (1)  
7 pump per house that's being installed?

8 Is it -- can you install a larger pump,  
9 and it'll -- it'll provide heat for multiple homes?  
10 Can you --

11 MR. LLOYD KUCZEK: You -- you can do  
12 both, but the -- the current program that they're  
13 implementing today is one (1) per home.

14 MR. TOMAS MASI: Okay. And so the  
15 purpose of the community geothermal program is to help  
16 mitigate the high capital cost that you just mentioned,  
17 Ms. Morrison, in terms of installing a geothermal heat  
18 pump system.

19 Is that correct?

20 MR. LLOYD KUCZEK: The -- the purpose  
21 is -- is to help -- it's -- it's multipurpose,  
22 actually, but one (1) is to help lower the -- the  
23 energy bills, including financing, because as the  
24 electricity rates go up into the future their bills  
25 will be lower in future years, so is this the first

1 year that they'll be the same, and then after that,  
2 they'll be lower.

3                   The other thing -- the other objective  
4 is to create jobs in the communities.

5                   MR. TOMAS MASI: Thank you, Mr. Kuczek.  
6 Can you advise us to the approximate cost to a  
7 geothermal heat pump that is installed in -- in these  
8 First Nation communities that are participating in the  
9 community geothermal pump program?

10                   MR. LLOYD KUCZEK: It's about  
11 seventeen-five (17,500).

12

13   (BRIEF PAUSE)

14

15                   MR. TOMAS MASI: And under the First  
16 Nations Power Smart Program, Hydro's also piloting a  
17 solar hot water tank initiative for twenty (20)  
18 systems.

19   Is that correct?

20                   MR. LLOYD KUCZEK: Correct.

21                   MR. TOMAS MASI: And the reason it's a  
22 pilot program is because Hydro would like to monitor  
23 the solar hot water tanks for system performance and  
24 cost effectiveness. Is that correct?

25                   MR. LLOYD KUCZEK: We, as well as AKI

1 Energy's interest in doing that, so, yes.

2 MR. TOMAS MASI: Thank you. And  
3 providing the program is cost effective, Hydro may  
4 expand the pilot program to offer the initiative to all  
5 First Nation communities.

6 Is that correct?

7 MR. LLOYD KUCZEK: It was -- if it's  
8 cost effective we would be pursuing that, yes.

9 MR. TOMAS MASI: Providing the metrics  
10 work?

11 MR. LLOYD KUCZEK: Correct.

12 MR. TOMAS MASI: And Hydro's currently  
13 evaluating opportunities for the use of biomass for  
14 space and hot-water heating in three (3) First Nation  
15 communities. Is that correct?

16 MR. LLOYD KUCZEK: Correct.

17 MR. TOMAS MASI: Can you elaborate on -  
18 - on what Hydro's doing in that regard, even just at a  
19 high level?

20 MR. LLOYD KUCZEK: It's a -- it's a  
21 pre-feasability study, so it's really high level. It's  
22 not -- and we're using a third party to do -- to do an  
23 assessment, and it's just to look at three (3)  
24 communities, look at the potential energy sources that  
25 would potentially be available to those communities.

1 And -- and I don't know if it's going to go much beyond  
2 that at the first stage. And so then for a second  
3 stage we'll probably talk about undertaking an  
4 assessment to see if it'd be economic.

5 MR. TOMAS MASI: Thank you, Mr. Kuczek.  
6 And in terms of the First Nations Power Smart Program,  
7 that program is currently only offered to First Nation  
8 communities in Manitoba.

9 Is that correct?

10 MS. COLLEEN GALBRAITH: That is  
11 correct.

12 MR. TOMAS MASI: And just to clarify,  
13 it's not offered to non-First Nation communities then  
14 in Manitoba?

15 MS. COLLEEN GALBRAITH: No, but the  
16 equivalent offering is provided through the Affordable  
17 Energy Program in addition to the natural gas furnace  
18 component.

19 MR. TOMAS MASI: But the Affordable  
20 Energy Program doesn't offer geothermal pump system  
21 installations or -- or that part of the community  
22 geothermal program, right?

23 MS. COLLEEN GALBRAITH: No, but a  
24 participant outside of a First Nation reserve could,  
25 sorry, install a geothermal system, and utilize Ms.

1 Morrison's financing programs as well. So it is  
2 available in mass-market, but not the community  
3 geothermal initiative.

4 MR. TOMAS MASI: Can you just clarify  
5 that -- that answer you just provided? Like, are you -  
6 - are you trying to say that anyone can install  
7 geothermal pump systems?

8 MS. COLLEEN GALBRAITH: Yes, that's  
9 correct.

10 MR. TOMAS MASI: Okay. Has Hydro  
11 considered expanding the progra -- pro -- programs  
12 offered under the First Nations Power Smart programs to  
13 other communities that are non-First Nation  
14 communities?

15 MS. COLLEEN GALBRAITH: Yes. Through  
16 our offering through the Affordable Energy Program it's  
17 open to anybody who does meet our lower income  
18 requirement. And as evidenced in our presentation  
19 yesterday, actually particular to the Manitoba Metis  
20 Federation, we recognize that there may be additional  
21 opportunities there.

22 So by all means, if you have any  
23 additional ideas, I'm certainly willing to hear them.

24 MR. TOMAS MASI: Well, thank you very  
25 much for that offer. I -- I think I'll probably take

1 you up on that after the hearing.

2                   But just to be clear, the community  
3 Geothermal Program is not offered to non-First Nation  
4 communities, correct?

5                   MR. LLOYD KUCZEK:    It's -- it's -- non-  
6 First Nation communities aren't excluded.  It -- it's  
7 just we've started with AKI Energy, and we started with  
8 the First -- with two (2) First Nation communities just  
9 to basically pilot the program, see how it would work,  
10 but we're in discussions and talking about we could  
11 possibly expand it and -- Fisher River and Peguis are  
12 both thinking in terms of expanding their operations to  
13 even offer and help communities in their nearby  
14 regions.

15                   So the challenge, of course, is -- is to  
16 get enough systems within a community and to have the -  
17 - the capacity in place to -- to maintain and fix those  
18 systems on an ongoing basis.  But to get the costs  
19 down, you need the bulk purchases, and -- and you also  
20 need to have staff trained and -- so one (1) offs don't  
21 work with a -- that program.

22                   MR. TOMAS MASI:    So if there were other  
23 rural communities that were interested in doing  
24 something similar to what's happening in the First  
25 Nation communities, Hydro would consider including

1 those communities, potentially, into that program?

2 MR. LLOYD KUCZEK: For sure.

3 MR. TOMAS MASI: Thank you.

4

5 (BRIEF PAUSE)

6

7 MR. TOMAS MASI: In terms of Hydro's  
8 residential market, the incentive-based DSM programs  
9 currently offered by Hydro include the Home Insulation  
10 Program.

11 Is that correct?

12 MS. LOIS MORRISON: That is one (1) of  
13 the offerings.

14 MR. TOMAS MASI: One (1) of the  
15 offerings, correct. That program is designed to  
16 encourage homeowners to upgrade installation --  
17 insulation levels and air sealing in their home.

18 Is that correct?

19 MS. LOIS MORRISON: That is correct.

20 MR. TOMAS MASI: And that program is  
21 offered under the Affordable Energy Program and is free  
22 through that program to LICO-125 customers.

23 Is that correct?

24 MS. LOIS MORRISON: That is correct.

25 MR. TOMAS MASI: If we can turn to the

1 2009 residential energy use survey report, which is  
2 found at GAC, Question 1 -- or Round 1, sorry, Question  
3 45(a), (b), Attachment 1? And, Diana, that's page 91.

4                   Just to clarify, the objective of the  
5 survey was -- the survey and report was to provide a  
6 detailed democat -- demographic analysis of Manitoba  
7 Hydro's customers who may be defined as lower income  
8 according to Statistics Canada -- Statistics Canada's  
9 low income cutoff criteria.

10                   Is that correct?

11                   MS. LOIS MORRISON: That is correct.

12                   MR. TOMAS MASI: And the purpose of the  
13 survey and corresponding report was to obtain a better  
14 definition of the size and characteristics of the low  
15 income customers of Hydro, to assist Hydro in the  
16 design and development of its current and future  
17 customer service offerings.

18                   Is that correct?

19                   MS. LOIS MORRISON: That is correct. I  
20 should qualify that this report was derived from the  
21 2009 residential energy use survey. This was a  
22 separate report from that data. So we undertake energy  
23 use surveys on and int -- on a periodic basis to better  
24 understand how customers are using energy, and that  
25 information is used to inform our load forecast, inform

1 our programming overall, and such.

2 And this information -- this report was  
3 derived from that data.

4 MR. TOMAS MASI: Thank you for that  
5 clarification, Ms. Morrison. In terms of the survey  
6 itself, Hydro is satisfied that this survey conducted  
7 provided statistically significant results, such that  
8 it could utilize and rely on the data obtained?

9 MS. LOIS MORRISON: That is correct.

10 MR. TOMAS MASI: Hence why it drafted a  
11 report based on that data?

12 MS. LOIS MORRISON: Yes.

13 MR. TOMAS MASI: Thank you. And Hydro  
14 does, in fact, use the results of the survey, and  
15 obviously this report, to develop its DSM programs,  
16 more specifically, with respect to the LIEEP -- LIEEP  
17 Program, and more recently, the AEP Program.

18 Is that correct?

19 MS. COLLEEN GALBRAITH: That is  
20 correct.

21 MR. TOMAS MASI: Thank you. And I note  
22 at page 6 of the report, Diana, that's page 92, the  
23 next page, that of the LICO-125 group, only 9.9 percent  
24 of the group rate their insulation as poor.

25 Is that correct?

1 MS. COLLEEN GALBRAITH: That seems  
2 correct, yes.

3 MR. TOMAS MASI: And so therefore, that  
4 would mean that over 90 percent of the LICO-125 group  
5 believed their insulation to be either fair or greater  
6 than fair.

7 Is that correct?

8 MS. COLLEEN GALBRAITH: That sounds  
9 correct, yes.

10 MR. TOMAS MASI: In terms of the 2009  
11 residential energy use survey, not the report, but the  
12 survey, how confident is Hydro with respect to the  
13 survey results relating to residents and the condition  
14 of the insulation in their home?

15

16 (BRIEF PAUSE)

17

18 MS. LOIS MORRISON: Manitoba Hydro is  
19 quite comfortable that customers have been able to give  
20 us a reasonable assessment of the insulation levels  
21 within their home.

22 MR. TOMAS MASI: Thank you. The  
23 survey, though, provided to customers simply asked the  
24 customers what the condition of their insulation was  
25 from a scale of excellent to poor.

1 Is that correct?

2 MS. LOIS MORRISON: That is correct.

3 MR. TOMAS MASI: And the most recent  
4 survey from 2014 asked the same questions with respect  
5 to insulation.

6 Is that correct?

7 MS. LOIS MORRISON: That is correct.

8 MR. TOMAS MASI: And has Hydro done any  
9 physical surveys to determine the condition of  
10 insulation in residential homes?

11 MS. LOIS MORRISON: Manitoba Hydro has  
12 not undertaken an individual or spe -- survey  
13 specifically for assessing customers' insulation levels  
14 in their homes. However, we do have an extensive  
15 database of information on customers' insulation levels  
16 as a result of the past programs under the energy --  
17 EnerGuide for Houses Program, where there were pre and  
18 post energy assessments undertaken.

19 And then that subsequently became the  
20 ecoENERGY Program. And since then, under our Home  
21 Insulation Program and under the Affordable Energy  
22 Program, we undertake pre and post inspections of  
23 houses participating in these programs.

24 MR. TOMAS MASI: Thank you. And  
25 another DSM program offered by Hydro currently to

1 residential customers is the Water and Energy Saver  
2 Program.

3 Is that correct?

4 MS. LOIS MORRISON: That is correct.

5 MR. TOMAS MASI: And its primary  
6 objective is to reduce residential water heating energy  
7 con -- consumption through the use of low-flow, energy-  
8 efficient plumbing fixtures.

9 Is that correct?

10 MS. LOIS MORRISON: Yes, both low-flow,  
11 energy-efficient plumbing fixtures and pipe insulation.

12 MR. TOMAS MASI: Thank you. And the  
13 program's available to all residential dwellings that  
14 use electricity or natural gas to heat water.

15 Is that correct?

16 MS. LOIS MORRISON: It's actually  
17 available to anyone in the province. However, our  
18 target, being that we're an electric and gas company,  
19 is electric and gas homes.

20 MR. TOMAS MASI: Thanks for that  
21 clarification. And in terms of a customer that heats  
22 his or her water with electricity, that customer is  
23 expected to achieve a very modest reduction in his or  
24 her bill in the amount of twenty-five dollars (\$25)  
25 annually as a result of that program.

1                   Is that correct? I can --

2                   MS. LOIS MORRISON: That sounds to be  
3 the right range.

4                   MR. TOMAS MASI: Thank you. I -- I  
5 should just point out, if you ever need a reference to  
6 page numbers, I certainly can provide that. So please,  
7 by all means, if you're not sure about anything that  
8 I'm proposing, let me know.

9                   Mr. Kuczek, you -- you mentioned or you  
10 spoke about this, this morning. But in addition to  
11 specific DSM programs, Hydro also attempts to increase  
12 energy efficiency in Manitoba through the promotion and  
13 development of codes and standards.

14                   Is that correct?

15                   MR. LLOYD KUCZEK: Correct.

16                   MR. TOMAS MASI: And through Hydro's  
17 efforts in this regard, regulation of energy-efficient  
18 codes and standards can have the effect of permanent  
19 market transformation for energy-efficient technologies  
20 and practices.

21                   Is that correct?

22                   MR. LLOYD KUCZEK: Correct.

23                   MR. TOMAS MASI: And the reason for  
24 that is because once -- once the codes and standards  
25 become regulated, that prevents customers from

1 reverting to more -- or less efficient technologies.

2 Is that correct?

3 MR. LLOYD KUCZEK: That's correct. And  
4 so then you get 100 percent participation --

5 MR. TOMAS MASI: Exactly.

6 MR. LLOYD KUCZEK: -- effectively.

7 MR. TOMAS MASI: Thank you. And once  
8 that be -- that comes into effect, Hydro would -- would  
9 then not need to provide any incentives or promotional  
10 activities with respect to that technology.

11 Is that correct?

12 MS. LOIS MORRISON: There will be some  
13 involvement by Manitoba Hydro after the fact to assist  
14 in the education of the market, not incentives, per se,  
15 after the code actually becomes in effect.

16 But a code may be announced with an  
17 effective date beginning, at which point, in particular  
18 for building codes, it means that any buildings  
19 permitted after that point. But any buildings that  
20 would have been permitted prior to that may still  
21 receive an incentive.

22 But going back to the original point, if  
23 -- once a code is in place, we do continue to help  
24 guide the marketplace in understanding that code and  
25 making sure that that code is understood and installed

1 properly.

2 MR. TOMAS MASI: Thanks for that  
3 clarification, Ms. Morrison. All I meant to say,  
4 though, is that once a code and standard has been  
5 implemented and regulated, Hydro doesn't need to  
6 provide further incentives with respect to that  
7 technology on a go-forward basis?

8 MS. LOIS MORRISON: You're correct.

9 MR. TOMAS MASI: Thank you. And, Mr.  
10 Kuczek, you mentioned this, this morning. As a result  
11 of changes to codes and standards, that'll usually  
12 increase the upfront or the first costs, or the upfront  
13 costs with respect to those technologies.

14 Is that correct?

15 MR. LLOYD KUCZEK: Well, once something  
16 is coded, usually the costs go down, but the -- my  
17 point was, is that the customer actually has to pay for  
18 that cost. It's not free. Like --

19 MR. TOMAS MASI: Precisely, thanks.

20

21 (BRIEF PAUSE)

22

23 MR. TOMAS MASI: I -- I'd like to now  
24 talk about the furnace replacement program that's  
25 offered by the Affordable Energy Program. I'd just

1 like to confirm that the program works by offering  
2 residential customers the replacement of a less -- of  
3 their less efficient natural gas furnace with a high  
4 efficiency natural gas furnace.

5 Is that correct?

6 MS. COLLEEN GALBRAITH: That is  
7 correct.

8 MR. TOMAS MASI: And the customers are  
9 only required to pay Hydro nine dollars and fifty cents  
10 (\$9.50) per month over five (5) years for a total of  
11 five hundred and seventy dollars (\$570).

12 Is that correct?

13 MS. COLLEEN GALBRAITH: That is  
14 correct.

15 MR. TOMAS MASI: And this provides them  
16 with savings of approximately four thousand dollars  
17 (\$4,000) from what they would otherwise have to pay to  
18 replace their furnace with a high efficiency natural  
19 gas furnace?

20 MS. COLLEEN GALBRAITH: Do you mean  
21 relative to what the cost of a market furnace  
22 replacement would be?

23 MR. TOMAS MASI: That's correct.

24 MS. COLLEEN GALBRAITH: That's an  
25 approximate estimation, so, yes.

1 MR. TOMAS MASI: And in addition,  
2 participating customers also save considerably on their  
3 monthly Hydro bill in light of the fact that they're  
4 using a high efficiency -- high efficient natural gas  
5 furnace.

6 Is that correct?

7 MS. COLLEEN GALBRAITH: Yes, with  
8 respect to natural gas savings.

9 MR. TOMAS MASI: Yes. Hydro, in fact,  
10 advertises to customers that replacing his or her  
11 furnace can reduce his or her heating bill by up to 35  
12 percent.

13 Is that correct?

14 MS. COLLEEN GALBRAITH: Yes, that  
15 sounds correct.

16 MR. TOMAS MASI: And this would result  
17 in savings of approximately two hundred and sixty-seven  
18 dollars (\$267) annually on his or her Hydro bill?

19 MS. COLLEEN GALBRAITH: Subject to  
20 check, yes.

21 MR. TOMAS MASI: This annual savings,  
22 though, would be weather dependent.

23 Is -- is that correct?

24 MS. COLLEEN GALBRAITH: I believe so,  
25 yes.

1 MR. TOMAS MASI: By 'weather  
2 dependent', I just mean that if you have a colder  
3 winter, you'll save more, if you have a warmer winter  
4 you'll save less?

5 MS. COLLEEN GALBRAITH: Yes, that's a  
6 reasonable assumption.

7 MR. TOMAS MASI: And another benefit of  
8 the program is also peace of mind to the customer that  
9 his or her furnace will not break down during the  
10 winter.

11 Is that correct?

12 MS. COLLEEN GALBRAITH: Yes.

13 MR. TOMAS MASI: I noted in the  
14 materials that there's a Furnace Replacement Program  
15 offered by Hydro through AEP for customers that heat  
16 with oil, coal, or propane as a fuel source.

17 Is that correct?

18 MS. COLLEEN GALBRAITH: Yes. If a  
19 customer is heating their dwelling with oil, propane,  
20 or coal, we can provide them through the Furnace  
21 Replacement Program, if they're in a natural gas  
22 territory, but we all -- also converted some customers  
23 who were not in natural gas territories to an electric  
24 furnace.

25 MR. TOMAS MASI: And the program works

1 the exact same way as the natural gas furnace  
2 replacement program in the sense that you're paying the  
3 nine dollars and fifty (\$9.50) per month for five (5)  
4 years?

5 MS. COLLEEN GALBRAITH: From a  
6 customer's perspective, yes.

7 MR. TOMAS MASI: When did that program  
8 start?

9 MS. COLLEEN GALBRAITH: I don't recall  
10 the date off the top of my head, but I could certainly  
11 undertake to find out.

12 MR. TOMAS MASI: That's okay. I think  
13 what I'm more interested in, though, is are there any  
14 plans to terminate that program currently?

15 MS. COLLEEN GALBRAITH: Not in the  
16 foreseeable future, no.

17 MR. TOMAS MASI: You'd agree that --  
18 that that program in the sense of converting customers  
19 who heat with oil, coal, or propane to electric  
20 furnaces would have the effect of increasing Hydro's  
21 load capacity, as well as revenues.

22 Is that correct?

23 MS. COLLEEN GALBRAITH: That is  
24 correct. However, we're also looking at the  
25 significant cost savings that a customer would have as

1 a participant in the Affordable Energy Program as  
2 compared to paying, say, for a -- a fuel heating source  
3 compared to that of what electrical rates are.

4 MR. TOMAS MASI: So in that sense, it's  
5 a win/win. A win for the customer, a win for Hydro.

6 MS. COLLEEN GALBRAITH: I suppose  
7 that's one (1) way to look at it.

8 MR. LLOYD KUCZEK: Mr. Masi, maybe I  
9 can just add some clarity to that, and -- and it just  
10 points to that word 'indifferent' when customers use  
11 more electricity, provided the customer is better off.  
12 So our energy efficiency programs aren't just designed  
13 to reduce electricity consumption in Manitoba. It's --  
14 it could be increasing it in the case like that, and  
15 that's still -- we're still okay with that.

16 MR. TOMAS MASI: Understood. Thank  
17 you. Diana, if you could pull up page 114. And what  
18 this is referencing is GAC Round 1, Question 66

19 Can you confirm that the number of  
20 Hydro customers who live in areas of the Province that  
21 do not have access to natural gas and use electricity  
22 as their primary heating fuel is the seventy-one  
23 thousand, seven hundred and thirty-seven (71,737)  
24 number that you see there on the table?

25 MS. LOIS MORRISON: That is the

1 information that we have to date that best represents,  
2 yes.

3 MR. TOMAS MASI: Okay. And so Hydro  
4 estimates -- estimates that 91.5 percent of its  
5 customers that reside in -- in that area -- or in those  
6 areas do not have acc -- access to natural gas utilized  
7 electricity as their heating fuel source.

8 Is that correct?

9 MS. LOIS MORRISON: That is correct.

10 MR. TOMAS MASI: And the remaining 8  
11 1/2 percent utilize other fuel, such as oil, wood, or  
12 propane?

13 MS. LOIS MORRISON: That is correct.

14 MR. TOMAS MASI: And can you also  
15 confirm that the number of Hydro LICO-125 customers who  
16 live in rural areas that do not have access to natural  
17 gas and use electricity as their primary heating fuel,  
18 that number is twenty-six thousand, five eighty-nine  
19 (26,589)?

20 MS. LOIS MORRISON: That is correct.

21 MR. TOMAS MASI: Mr. Williams spoke  
22 about Dunsky's independent review of the Affordable  
23 Energy Program, so I just want to turn to that report.  
24 And, Diana, that's at page 115. That's Attachment 1 of  
25 MKO Coalition question -- Round 1, Question 9. The

1 date of the report's March 3rd, 2015.

2 Is that correct?

3 MS. COLLEEN GALBRAITH: That is  
4 correct.

5

6 (BRIEF PAUSE)

7

8 MR. TOMAS MASI: Diana, if you could go  
9 to page 117, which is page 52 of Dunsky's report.  
10 Dunsky found in his report that, and I quote:

11 "It is fair to assume that electric  
12 customer participation could be  
13 increased with a more appealing and  
14 comprehensive offering."

15 Is that correct? You just can scroll  
16 down.

17 MS. COLLEEN GALBRAITH: That is  
18 correct.

19 MR. TOMAS MASI: And in terms of  
20 possible Affordable Energy Program offerings to  
21 participants with electric heated homes, Dunsky states  
22 in his report that air-source heat pumps are definitely  
23 worth considering as an addition to the Affordable  
24 Energy Programs offering both to increase participation  
25 rates as well as depth of savings for electric

1 customers.

2 Is that correct?

3 MS. COLLEEN GALBRAITH: That is  
4 correct.

5 MR. TOMAS MASI: And Dunsky's report  
6 noted that air-source heat pumps could help provide  
7 deeper savings. Sorry. Dunsky's report notes that  
8 air-source heat pump technology has evolved  
9 tremendously over the past decades -- over the past  
10 decade, providing more efficient and reliable heat,  
11 especially for colder climates.

12 Is that correct?

13 MS. LOIS MORRISON: That is what Dunsky  
14 has indicated, yes.

15 MR. TOMAS MASI: And Dunsky noted in  
16 his report that a Yukon market characterize --  
17 characterization study indicated that, theoretically,  
18 an air-source heat pump desi -- designed for colder --  
19 for cold climates can maintain a fairly high  
20 coefficient of performance even at very cold  
21 temperatures. He indicates a coefficient of  
22 performance of around 2 at minus 20 degrees Celsius.

23 Is that correct?

24 MS. LOIS MORRISON: Yes, but we do need  
25 to qualify the Yukon study. The Yukon study, as you

1 mention, is a theoretical; it's a characterization.

2 It's based upon a software analysis.

3           As I mentioned previously, we have been  
4 in discussions with the Yukon Territory in terms of  
5 their -- their ongoing monitoring. They're basically  
6 at the same point we are in that they are now doing  
7 monitoring and measurement on the installations that  
8 they have in place in order to validate what the  
9 theoretical discussion has indicated.

10           The -- a lot of what we've seen in the  
11 industry in terms of monitoring and measurement to date  
12 has been on the individual units themselves. What we  
13 are doing and in discussions with the Yukon, they're  
14 moving in the same direction, is we are monitoring the  
15 systems in place. But then we're also measuring the  
16 whole home to see how the whole home as a -- as a  
17 system is operating to determine how those units behave  
18 in recognizing the different reasonable ref --  
19 responses.

20           So the unit itself may have a certain  
21 SEOP, but it depends on whether that unit itself is  
22 serving the entire house or whether it's serving  
23 portions of that house. And so you need to monitor how  
24 the whole house behaves from a -- from a -- an energy-  
25 use perspective. And so that's where we're sitting

1 right now. And that's also, as we understand it, where  
2 the Alaska studies are, too.

3                   But as Mr. Kuczek mentioned, it is a  
4 technology that we're interested in, and we're  
5 monitoring it and -- with the idea that if it -- if the  
6 data does pan out well, that we would look at pursuing  
7 it in the future.

8                   MR. TOMAS MASI: Thank you for that  
9 explanation. Dunsky also notes in his report with  
10 respect to air-source heat pumps that the bulk of  
11 heating energy requirements actually happens at much  
12 higher temperatures during a typical winter than what  
13 some cold-climate air-source heat pumps can currently  
14 operate in.

15                   Is that correct?

16                   MS. LOIS MORRISON: Could you repeat  
17 the question, please?

18                   MR. TOMAS MASI: Sure. Dunsky notes in  
19 his report that the bulk of heating energy requirements  
20 actually happens at much higher temperatures during a  
21 typical winter than what the cold-climate air-source  
22 heat pumps can now operate in.

23                   Like if there's a rating, for instance,  
24 of minus 20 degrees that it can operate effectively in,  
25 the bulk of the heating days in a typical winter would

1 actually be higher than that.

2 MS. LOIS MORRISON: Yes. The -- as we  
3 stated, we -- we have looked at the technology, and it  
4 does appear to be attractive. However, and from a  
5 theoretical perspective, they're indicating that they  
6 can operate at the colder temperatures.

7 But we also recognize, as Mr. Kuczek  
8 testified earlier, that the efficiency at those colder  
9 temperatures will degrade. And so we want to make sure  
10 that, prior to promoting this to our customers, and in  
11 particular, customers who would be quite concerned if  
12 those energy-efficiency savings did not materialize,  
13 that these units will perform as indicated.

14 One (1) of the other items that we are  
15 engaged in right now through our work with the CSA is  
16 we -- based on measurement that we have done and BC  
17 Hydro has done and Hydro-Quebec has seen, where we're  
18 often seeing -- we've seen differences between what  
19 we've measured in field and what the manufacturer has  
20 professed to see in terms of efficiency ratings.

21 We are working with CSA to identify  
22 standards for seasonal ratings for local climates for  
23 these types of systems so that we can have more  
24 consistent measurement and reporting of how these units  
25 behave, which will help the industry in terms of moving

1 forward.

2 MR. LLOYD KUCZEK: It's probably also  
3 helpful to mention -- and I think it was in some of the  
4 filing material -- that these units are not low-cost  
5 units. I think the installation cost is in the fifteen  
6 (15) to seventeen thousand (17,000). And Ms. Morrison  
7 could correct me, but fairly expensive units to  
8 actually install.

9 MS. LOIS MORRISON: We did, and -- and  
10 to provide the reference for that, we provided quite a  
11 bit of data on air-source heat pumps in our response  
12 GAC/MH-I-66(d) and GAC/MH-I-66(e) related to  
13 centralized air-source heat pumps.

14 But we've also, then, followed up with  
15 additional information in a response to a request from  
16 MMF-II-4(a)(d), where we provided more information  
17 about what would -- would have been called as ductless  
18 heat pumps, which would be where you could install a --  
19 a smaller system that would serve more zoned areas  
20 within a home.

21 And in those cases, we've identified  
22 that the costs can range quite substantially, as Mr.  
23 Kuczek mentioned. We also identified that there's  
24 still a number of issues to consider in terms of the  
25 longevity of these systems.

1           For example, in the geothermal heat pump  
2 systems, the geothermal unit, the -- the actual box,  
3 per se, sits inside the home, which is conditioned  
4 space. With the air source -- with the cold-climate  
5 air-source heat pumps, the units sit outside, and so  
6 therefore, they're subject to -- to the elements.

7           And so we, as Manitoba Hydro, feel it's  
8 important that we can monitor to see how these systems  
9 perform in, and the efficiencies are maintained, as  
10 they are exposed to those elements.

11           So there's a number of condi -- of -- of  
12 circumstances that we feel that we need to be able to  
13 speak to prior to going out to the public and -- and  
14 actively promoting these -- these units.

15           MR. TOMAS MASI:   Thank you, Ms.  
16 Morrison. With respect to the two (2) cold-climate  
17 air-source heat pumps that Hydro's currently testing, I  
18 believe they started testing in Septem -- you guys have  
19 started testing in September and -- or -- and December  
20 of 2014.

21           Is that correct?

22           MS. LOIS MORRISON:   Yes, that sounds  
23 correct.

24           MR. TOMAS MASI:   Do you have any  
25 preliminary results in terms of the testing? Just

1 again, at a high level?

2 MR. LLOYD KUCZEK: And I think I  
3 mentioned this earlier, but the COPs are coming in at  
4 about one point o (1.0) -- one point five (1.5).

5 MR. TOMAS MASI: Is that seasonal  
6 coefficient of performance or a coefficient of  
7 performance?

8 MS. LOIS MORRISON: It was a seasonal  
9 coefficient of performance of one point five (1.5).  
10 That was one (1) system performed at that. It was the  
11 one (1) that performed the better of the two (2).

12 MR. TOMAS MASI: Thank you. And just  
13 to be clear, a seasonal coefficient of -- coefficient  
14 of -- of performance is a more accurate indicator,  
15 would you agree, than just, say, a coefficient of  
16 performance?

17

18 (BRIEF PAUSE)

19

20 MS. LOIS MORRISON: Yes, the seasonal  
21 coefficient of performance would be a more appropriate  
22 representation of how the system would behave over the  
23 season, recognizing that during the operation, there'll  
24 be defrost cycles and variations in how the system  
25 operates.

1 MR. TOMAS MASI: Thank you. And  
2 earlier, you had mentioned that you didn't install the  
3 air-source heat pumps, but you were evaluating two (2).

4

5 Is it part of another project?

6 MS. LOIS MORRISON: These are two (2)  
7 customers that we are aware of that have installed them  
8 and have agreed to us monitoring the system, and they  
9 have an interest in seeing the systems and how they're  
10 behaving. One (1) of the benefits that we provide by  
11 doing this is that we're able to also help them make  
12 sure that their systems are operating optimally.

13 In one (1) case, one (1) of the systems  
14 was on a different -- there were two (2), I guess,  
15 modes that the system could be in. One (1) was, I  
16 believe, a comfort mode, and one (1) was an energy --  
17 an eco mode. And what we identified when we were  
18 working with the one (1) customer was that the customer  
19 had it in the comfort mode, not the eco mode.

20 And so we were able to, through this  
21 monitoring, switch them over to the eco mode, where  
22 they could then achieve the energy savings they were  
23 hoping to achieve by installing the system.

24 MR. TOMAS MASI: Thank you.

25

1 (BRIEF PAUSE)

2

3 MR. TOMAS MASI: Is Hydro currently  
4 testing or monitoring any single-head cold-climate air-  
5 source heat pumps? And I think they -- I might be  
6 referring to the ductless system.

7 MS. LOIS MORRISON: Not at this time,  
8 no.

9

10 (BRIEF PAUSE)

11

12 MR. TOMAS MASI: Hydro's planning on  
13 expanding its testing by adding two (2) additional  
14 cold-climate air-source heat pumps over the next  
15 winter.

16 Is that correct?

17 MS. LOIS MORRISON: That is correct.

18 MR. TOMAS MASI: Those are two (2)  
19 different systems than the current two (2) systems  
20 you're evaluating?

21

22 (BRIEF PAUSE)

23

24 MS. LOIS MORRISON: They may be the  
25 same brand, but they are two (2) other customer

1 installations.

2 MR. TOMAS MASI: Is Hydro considering  
3 its -- monitoring, or inspecting, or field testing any  
4 different models of cold-climate air-source heat pumps?

5 MS. LOIS MORRISON: It's possible.

6 MR. TOMAS MASI: You mentioned the two  
7 (2) that you're studying are based on customer  
8 installation -- or units that were installed by  
9 customers.

10 Were those two (2) customers part of the  
11 Residential Loan Program -- that took advantage of the  
12 Residential Loan Program to install their cold-climate  
13 air-source heat pumps?

14 MS. LOIS MORRISON: I would have to  
15 confirm that. I don't know if they were actually part  
16 of the loan program or not.

17 MR. TOMAS MASI: Okay. As I understand  
18 it from the materials, there are eleven (11) customers  
19 in total that use the Power Smart Residential Loan  
20 Program to install air-source -- air-source heat pumps  
21 from as early as 2011?

22 MS. LOIS MORRISON: That is correct.

23 MR. TOMAS MASI: And Hydro just started  
24 monitoring or field testing two (2) of those units,  
25 potentially, just this past year?

1 MS. LOIS MORRISON: What we've done is  
2 we've focussed on the cold-climate air-source heat  
3 pumps. Under the loans, we would have to go back and  
4 check and see if we can discern from the -- the models  
5 and such as to whether or not they're cold climate or  
6 conventional air-source heat pumps. There is a mix in  
7 that group.

8 MR. TOMAS MASI: But Hydro wasn't  
9 monitoring or evaluating those units since 2011 when  
10 some of them started to be installed?

11 MS. LOIS MORRISON: That is correct.

12 MR. LLOYD KUCZEK: I should say there  
13 was some work undertaken by the government that we're  
14 aware of where they actually did some monitoring of the  
15 units that weren't the cold -- cold climate nature, I  
16 believe. So we've been following --

17 MR. TOMAS MASI: Just the convent --

18 MR. LLOYD KUCZEK: -- following the  
19 technology for a while, and...

20 MR. TOMAS MASI: Thank you. In  
21 Dunsky's report, which is on the same page here, he  
22 recommends that Hydro offer, as part of their  
23 Affordable Energy Program, tune-ups and electronic  
24 thermostats to its customers in order to bridge the gap  
25 in the offering for households that do not replace

1 their heating equipment because their equipment does  
2 not qualify.

3 Is that correct?

4 MS. COLLEEN GALBRAITH: That is  
5 correct, he does make that recommendation.

6 MR. TOMAS MASI: There is a footnote  
7 though -- Diana, if you can just move it down a bit --  
8 that Hydro apparently does offer electronic thermostats  
9 to participants who replace their standard natural gas  
10 furnace.

11 Is that correct?

12 MS. COLLEEN GALBRAITH: Yes, when they  
13 have an old analog thermostat, we do replace it with an  
14 electronic one.

15 MR. TOMAS MASI: But Hydro does not  
16 currently offer electronic thermostats to participants  
17 who have electric furnaces.

18 Is that correct?

19 MS. COLLEEN GALBRAITH: I don't believe  
20 so, but I would have to check to be 100 percent  
21 accurate.

22 MR. TOMAS MASI: Can you undertake to  
23 check?

24 MS. COLLEEN GALBRAITH: I can.

25 MR. TOMAS MASI: Thank you.

1 --- UNDERTAKING NO. 67: Manitoba Hydro to verify if  
2 they currently offer  
3 electronic thermostats to  
4 participants who have  
5 electric furnaces  
6

7 CONTINUED BY MR. TOMAS MASI:

8 MR. TOMAS MASI: Just back to the --  
9 hopefully I'll get off the cold climate air source heat  
10 pump matter soon, and I apologize for belabouring it.

11 But in terms of the seasonal coefficient  
12 of performance, Hydro currently believes that a range  
13 of one point five (1.5) to two (2) is theoretically  
14 possible right now with the current units that are  
15 available?

16 MS. LOIS MORRISON: That range was  
17 based upon what we've seen with manufacturer data, and  
18 what we thought was reasonable to put in for the  
19 comparisons that were requested by GAC in our response  
20 to GAC/Manitoba-I-66(b).

21 MR. TOMAS MASI: Thank you. If we  
22 could just turn, Diana, to page 119, and this is --  
23 this is actually that exact question I believe that you  
24 were referring to, Ms. Morrison, GAC Round 1 Question  
25 66(b).

1                   So the annual space heating cost for a  
2 cold climate air source heat pump presuming a seasonal  
3 coefficient of -- performance of two (2) would be six  
4 hundred and thirteen dollars (\$613).

5                   Is that correct?

6                   MS. LOIS MORRISON:   Yes.  If the system  
7 were able to achieve that seasonal coefficient of  
8 performance, we would anticipate that to be the annual  
9 cost.

10                  MR. TOMAS MASI:   Okay.  And if we just  
11 look over at the far end of that chart, the cost to --  
12 the annual cost to heat a home with an electric furnace  
13 would be twelve hundred and twenty-six dollars  
14 (\$1,226).

15                  Is that correct?

16                  MS. LOIS MORRISON:   That is correct.

17                  MR. TOMAS MASI:   And just so we  
18 understand, for seasonal coefficient of performance of  
19 two (2), that would mean that 2 kilowatt hours of heat  
20 are transferred for every kilowatt of electricity  
21 supplied to the heat pump.

22                  Is that correct?

23                  MS. LOIS MORRISON:   It would mean that  
24 for every kilowatt hour of energy, the cold climate air  
25 source heat pump would provide the equivalent of 2

1 kilowatt hours of electric heat.

2 MR. TOMAS MASI: Thank you. And as I  
3 understand it, seasonal coefficient of performance  
4 rating of between two (2) and three (3) are typical for  
5 today's geothermal heat pumps.

6 Is that correct?

7 MR. LLOYD KUCZEK: I would suggest more  
8 around three (3) today. Some of the manufacturers  
9 claim four (4), but again you'd have to monitor them in  
10 -- in service to see what kind of performance. But I -  
11 - I think I'd be comfortable saying three (3) is not  
12 unreasonable.

13 MR. TOMAS MASI: Yeah. Hydro does say  
14 on its website though that it would be between two (2)  
15 and three (3).

16 Is that correct?

17 MR. LLOYD KUCZEK: I believe that's  
18 correct, yeah. The newer models have been improving  
19 since a number of years ago.

20 MR. TOMAS MASI: Thank you.

21 MR. LLOYD KUCZEK: And I should say a  
22 lot depends on the design of the system. So that's  
23 another reason we put -- provide a range for customers,  
24 just to -- to be somewhat cautious in terms of setting  
25 expectations.

1 MR. TOMAS MASI: Thank you.

2

3 (BRIEF PAUSE)

4 MR. TOMAS MASI: Can you confirm  
5 whether a residential customer would be eligible to  
6 participate in the Power Smart Residential Loan Program  
7 if he wanted to install a cold-climate air-source heat  
8 pump?

9 Could he use that loan program?

10 MS. LOIS MORRISON: Yes, he can.

11 MR. TOMAS MASI: Can a residential  
12 customer use the PAYS program to install a cold-climate  
13 air-source heat pump?

14 MS. LOIS MORRISON: It would depend on  
15 the price of the unit that they -- it would depend on  
16 the price that they were quoted for the unit to be  
17 installed. As I mentioned, the way the PAYS Program  
18 works, as mandated under the Energy Efficiency --  
19 sorry, the Energy Savings Act, is that the financing  
20 charge must be equal to or less than the -- the energy  
21 savings to be achieved through the unit.

22 So if the annual -- if the monthly  
23 savings, or the average annual monthly savings, are  
24 great -- are smaller than what the average financing,  
25 monthly financing charge would be, then the customer

1 would not be able to finance the entire amount of the  
2 air-source heat pump.

3                   They could finance up to what would be  
4 available within that -- that range, but not the --  
5 possibly the full amount.

6                   MR. TOMAS MASI:    Thank you.    And I  
7 don't have this reference, Diana, I apologize, in -- in  
8 my materials here.

9                   But in response to MMF Round 2 Question  
10 10(b), Hydro indicated that currently, under its  
11 development projects where wood is being cleared and  
12 Hydro has control over that wood, and where a local  
13 community has expressed interest in that cleared wood,  
14 where feasible and practical, Hydro will work with  
15 those communities to deliver the clear -- cleared wood  
16 or provide the wood in an accessible location near the  
17 project to be used in the community for heating at a  
18 reasonable cost to Hydro.

19                   Is that correct?

20                   MS. LOIS MORRISON:   That is correct.

21                   MR. TOMAS MASI:    Does Hydro plan to  
22 continue to provide wood it has control over on  
23 projects to customers for the use of heating?

24                   MS. LOIS MORRISON:    As I understand it  
25 -- again, I'm not the expert in this area, but as we

1 understand it, where these opportunities are presented,  
2 we would continue to entertain these types of  
3 arrangements.

4 MR. TOMAS MASI: Thank you. You  
5 indicated that you're not the expert, so my next  
6 question was whether or not there are current projects  
7 that would -- that would fit under this, or future  
8 projects.

9 Would you have any idea?

10 MS. LOIS MORRISON: There -- I can't  
11 speak to the individual projects, but we -- the people  
12 that I asked about in terms of responding to this  
13 interrogatory did specifically identify projects that  
14 were underway related to some of our transmission  
15 projects and some of our major new generation  
16 construction projects.

17 So there are some that are in place, but  
18 they are directly negotiated with those areas.

19 MR. TOMAS MASI: Thank you. If we can  
20 move to the Heating Fuel Choice Initiative, currently  
21 it's an education awareness effort focussed at  
22 informing customers of factors to be considered in  
23 making fuel choice decisions.

24 Is that correct?

25 MS. LOIS MORRISON: Yes, with financing

1 available to support those choices.

2 MR. TOMAS MASI: And so it's just an  
3 education awareness. It doesn't actually provide any  
4 financial incentives currently?

5 MS. LOIS MORRISON: That is correct.

6 MR. TOMAS MASI: So it does -- it  
7 specifically doesn't address affordability or the  
8 ability of customers residing in non-gas areas to  
9 finance the investment of a different heating system.

10 Is that correct? I'm talking just about  
11 -- specifically about the fuel choice -- Heating Fuel  
12 Choice Initiative.

13 MS. LOIS MORRISON: No, we do not  
14 provide -- under the Heating Fuel Choice Initiative, we  
15 do not provide incentives to any customers to undertake  
16 a fuel choice option.

17 MR. TOMAS MASI: Thank you.

18 MR. LLOYD KUCZEK: But just to be  
19 clear, we -- we do offer some incentives for people to  
20 convert from oil and propane. That's outside of that  
21 program that Ms. Morrison is talking about.

22 MR. TOMAS MASI: Yeah, which we spoke  
23 about earlier.

24 Is that correct, Mr. Kuczek, that --  
25 that program that we --

1 MR. LLOYD KUCZEK: I'm not sure that  
2 ever came up within this hearing that I recall.

3 MS. LOIS MORRISON: It is on the record  
4 under the discussion of the Affordable Energy Fund that  
5 there is -- there remains a -- an incentive for  
6 customers outside of the Affordable Energy Program to  
7 convert to an electric or natural gas furnace and  
8 receive a two hundred and forty-five dollar (\$245)  
9 incentive.

10 But that would be -- that was funded --  
11 that is a continuation under the Affordable Energy  
12 Fund.

13 MR. TOMAS MASI: When did that program  
14 come into place, do you -- do you recall?

15 MS. LOIS MORRISON: That was set up  
16 when we initiated the program supporting high  
17 efficiency natural gas furnaces. Under the Affordable  
18 Energy Fund, we -- we used that fund to make sure that  
19 programs that are available to one (1) class of  
20 customers, other customers can take part in it.

21 And so we -- we set aside dollars to  
22 support customers choosing to move from propane or  
23 other fuel options to electricity or natural gas in  
24 order to reduce their bills. And that's when we -- the  
25 two hundred and forty-five dollars (\$245) was set up at

1 that point. So I believe it was about 2005 when that  
2 program was set up.

3 MR. TOMAS MASI: And is it planned to  
4 continue into the future?

5 MS. LOIS MORRISON: We have no plans at  
6 this point in time to discontinue it.

7 MR. TOMAS MASI: In response to a few  
8 Information Requests, Hydro provided an annual cost  
9 comparison of space heating and water heating costs for  
10 an average residential customer, depending on the fuel  
11 choice used by said customer.

12 And if we turn to PUB Round 2, Ques --  
13 Question 58(d) -- and, Diana, it's at page 108 -- in  
14 this response, I believe PUB counsel has gone through  
15 this, Hydro has included its home heating cost  
16 comparison charts which compares the annual space  
17 heating and water heating costs for an average single  
18 family residence, and in terms of heating systems,  
19 includes geothermal, natural gas, electricity, fuel  
20 oil, and propane.

21 Is that correct?

22 MS. LOIS MORRISON: That is correct.

23 MR. TOMAS MASI: And then if we jump to  
24 GAC Round 1, Question 66(b)? And, Diana, it's page  
25 119. We were just there. Yeah. Here, Hydro has

1 included annual space heating costs for an average  
2 single-family residence for various other heating  
3 system types, including three (3) air-source heat  
4 pumps.

5 Is that correct?

6 MS. LOIS MORRISON: That is correct.

7 MR. TOMAS MASI: And I'm just wondering  
8 if, by way of undertaking, could one (1) of you provide  
9 the total annual amount for both water and space  
10 heating costs for the following fuel sources, 1) being  
11 electric, so that would be electric space and electric  
12 water heater, 2) being gas, 3) being cold-climate air-  
13 source heat pumps. You don't need to include the  
14 conventional, and the fourth being geothermal, fifth  
15 being fuel oil, and sixth being propane.

16 I'm just hoping that you could provide  
17 it possibly in a simple table that just shows the  
18 annual costs for using one (1) specific fuel choice for  
19 both the space heating and -- and water heating.

20 Is that possible?

21 MS. LOIS MORRISON: Just to clarify.  
22 So we would provide for you a comparison, assuming the  
23 60 gigajoule of heat output that is used in the  
24 analysis, assuming that scenario. And then the -- for  
25 the water heating, we assume the two point four (2.4)

1 people per home.

2 MR. TOMAS MASI: Yes.

3 MS. LOIS MORRISON: And we would be  
4 comparing a one (1) year energy only, not consideration  
5 of any of the capital costs, for an electrically heated  
6 home with both electric and gas -- electric space and  
7 water heating, a gas home which has both gas, space,  
8 and water heating, an air-source heat pump home.

9 To clarify, you would ask us, then, to  
10 include a heat pump water heater with that, or would  
11 you be asking us to include an electric water heater?

12 MR. TOMAS MASI: Possibly both, if  
13 that's possible.

14 MS. LOIS MORRISON: Okay, I -- I will  
15 confer with our technical sources regarding the impacts  
16 of a heat pump water heater in a home that's heated by  
17 an air-source heat pump, but I will -- I will do the --  
18 so. And in the propane heated home, we -- we see  
19 propane water heating much less frequently. Would I  
20 then assume to be using a propane space heating and  
21 electric water heating?

22 MR. TOMAS MASI: Sure, that would be  
23 fine.

24 MS. LOIS MORRISON: And then the same  
25 for the fuel oil example?

1 MR. TOMAS MASI: That would be fine.

2 MS. LOIS MORRISON: Okay. Yes, we can  
3 undertake to do so.

4 MR. TOMAS MASI: Thank you very much.

5

6 --- UNDERTAKING NO. 68: Manitoba Hydro to provide a  
7 comparison, assuming a 60  
8 gigajoule of heat output  
9 and two point four (2.4)  
10 people per home, comparing  
11 a one (1) year energy only  
12 for an electrically heated  
13 home with both electric  
14 space and water heating,  
15 and a gas home which has  
16 both gas, space, and water  
17 heating, an air-source heat  
18 pump home, including a heat  
19 pump water heater and an  
20 electric water heater

21

22 CONTINUED BY MR. TOMAS MASI:

23 MR. TOMAS MASI: And just on the -- my  
24 next question actually relates to a comment you just  
25 made. Are you able to provide the front costs -- the

1 upfront costs for each heating system, as well?

2 MS. LOIS MORRISON: So I believe in our  
3 response to GAC/MH-I-66(e), we identified the upfront  
4 capital costs associated with the air-source heat  
5 pumps, the wood pellet stoves, the solar, and we also  
6 included the water heating components.

7 We can undertake to provide with --  
8 provide to you the -- the capital costs associated with  
9 an electric furnace, electric water tank that's used in  
10 this example, and a natural gas furnace and a natural  
11 gas water tank.

12 MR. TOMAS MASI: Thank you very much.

13

14 --- UNDERTAKING NO. 69: Manitoba Hydro to provide  
15 the capital costs  
16 associated with a electric  
17 furnace and electric water  
18 tank, and a natural gas  
19 furnace and natural gas  
20 water tank

21

22 CONTINUED BY MR. TOMAS MASI:

23 MR. TOMAS MASI: If we'd just turn to  
24 PU -- PUB Round 2, Question 58(b)? And, Diana, that's  
25 at page 194.

1                   And again, PUB counsel went through  
2 this, so I'm not going to spend much time here, but one  
3 (1) point I just wanted to make was if -- if you scroll  
4 down, Diana, to the bottom, there's a few footnotes.

5                   I just want to clarify, and it might be  
6 Mr. Barnlund that -- that might provide this  
7 clarification, but the gas bill amounts are based on  
8 the February 1st, 2015, rates.

9                   Is that correct?

10                  MR. GREG BARNLUND:    Yes, that's  
11 correct.  The rates -- using the calculation, were the  
12 rates approved on February 1st.  The annual consumption  
13 levels are appropriate for each year as -- as indicated  
14 in our load forecast.

15                  MR. TOMAS MASI:     Thank you, Mr.  
16 Barnlund.  And as of May 1st, 2015, there's been a  
17 interim change to primary gas rates.

18                  Is that correct?

19                  MR. GREG BARNLUND:   Yes, that's  
20 correct.

21                  MR. TOMAS MASI:     And as I understand  
22 it, there's been a decrease from February 1st, 2015, by  
23 1.7 percent, which works out to fourteen dollars (\$14)  
24 -- fourteen dollars (\$14) on an annual bill for a  
25 typical customer.

1 Is that correct?

2 MR. GREG BARNLUND: I believe so, yeah.

3

4 (BRIEF PAUSE)

5

6 MR. TOMAS MASI: Diana, if you could  
7 just go to page 200? And this is a response to MMF  
8 Round 2, Question 15(a) to (c). I'd just like to  
9 clarify something that I noticed on the chart here.

10 Hydro's provided low income categories  
11 for LICO-100, LICO-125, and Winnipeg LICO-125, and the  
12 number of dwellings found within each of those  
13 categories.

14 Can you explain the difference between  
15 LICO-125 and Winnipeg LICO-125?

16 MS. COLLEEN GALBRAITH: Yes.

17 MR. TOMAS MASI: Thank you.

18 MS. COLLEEN GALBRAITH: Originally, our  
19 program targeted the LICO-125 definition, whereby we're  
20 adopting Stats Canada, and if -- I -- I don't have it  
21 for reference, so I do apologize, but Statistics Canada  
22 had different income levels for varying sizes of  
23 communities. So, for example, in a smaller community,  
24 the income level was a little bit lower than that of a  
25 larger urban centre.

1                   So as part of the enhancements of the  
2 Affordable Energy Program, we removed that, and now all  
3 participants -- or pardon me, all eligible customers in  
4 the Province of Manitoba now fall under the large urban  
5 centre. So essentially, we've increased our rural  
6 participation by removing this.

7                   MR. TOMAS MASI:     And -- and just to  
8 clarify, I think you might have said this, the reason  
9 why the number is larger is effectively, you're  
10 increasing the income level that people would be  
11 eligible to participate in the Affordable Energy  
12 Program.

13                                 Is that correct?

14                   MS. COLLEEN GALBRAITH:     Yes, and  
15 thereby increasing the target market, correct.

16                   MR. TOMAS MASI:     When did Hydro make  
17 the change from using LICO-125 to Winnipeg LICO-125?

18                   MS. COLLEEN GALBRAITH:     I don't have  
19 the exact date, but again, I think it was around fall  
20 of 2014. I could undertake to check, if you'd like?

21                   MR. TOMAS MASI:     No, that's no problem.  
22 Just a ballpark was perfect. Thank you.

23                                 And now, is -- are these numbers that we  
24 see here based on the 2009 residential energy use  
25 survey?

1 MS. COLLEEN GALBRAITH: That is  
2 correct.

3 MR. TOMAS MASI: So you would agree  
4 that the total number would be higher now than what  
5 we're seeing here? The total number under all three  
6 (3) categories?

7 MS. COLLEEN GALBRAITH: Do you mean  
8 based on the 2014 survey results?

9 MR. TOMAS MASI: I just mean based on  
10 the fact that growth in Manitoba as we understand from  
11 the record has increased. I would imagine that would  
12 mean that the number of dwellings within the LICO cate  
13 -- income categories would have increased, as well.

14 Is that your understanding?

15 MS. COLLEEN GALBRAITH: That may be a  
16 possibility, but I cannot speak to that without  
17 actually seeing the numbers myself.

18 MR. TOMAS MASI: Thank you.

19

20 (BRIEF PAUSE)

21

22 MR. TOMAS MASI: Just moving on to load  
23 growth, and we -- we did deal with this a little bit  
24 earlier. But Hydro would agree that there's an  
25 increasing trend in the last -- in the last fifteen

1 (15) years or so for new dwelling construction to  
2 install electric space heat and electric hot water  
3 tanks.

4 Is that correct?

5 MS. LOIS MORRISON: That is correct.

6 MR. TOMAS MASI: And in terms of  
7 electric space heat, the expectation is an increase in  
8 residential average use of electricity of 375 kilowatt  
9 hours over the next twenty (20) years.

10 Is that correct?

11 MS. LOIS MORRISON: Could you please  
12 provide your reference?

13 MR. TOMAS MASI: Yes, of course.  
14 Diana, if you can go to page 147, which is response to  
15 MMF Round 1 Question 11(c), and just right there is --  
16 or I -- I think it's -- might be on the second page,  
17 actually. Yeah, there we go. I believe it's on the  
18 second paragraph of the document in front of you.

19 MS. LOIS MORRISON: Yes, thank you.

20 MR. TOMAS MASI: And in terms of the  
21 growth of electric water heat, the expected increase in  
22 the residential average use of electricity in that  
23 category would be 572 kilowatt per hour over the twenty  
24 (20) years.

25 Is that correct?

1 MS. LOIS MORRISON: That is correct.

2 MR. TOMAS MASI: And Hydro believes  
3 that the expected growth with respect to both the  
4 electric space heat and electric water heat is  
5 primarily due to market factors affecting equipment  
6 choices in natural gas available areas of Manitoba.

7 Is that correct?

8 MS. LOIS MORRISON: In terms of  
9 creating -- increasing the saturation, yes.

10 MR. TOMAS MASI: Okay.

11 MS. LOIS MORRISON: The growth in the  
12 non-gas-available area of housing is relatively  
13 consistent. And what we're seeing is an increase in  
14 the saturation of electrically heated units in the  
15 south no-gas-available area for space and water  
16 heating, and for water heating in the Winnipeg area.

17 MR. TOMAS MASI: In new homes, electric  
18 space and water heating equipment are typically  
19 installed by homebuilders due to their lower up-front  
20 costs and easier installation as compared to natural  
21 gas space or water heat -- water systems.

22 Is that correct?

23 MS. LOIS MORRISON: Yes, that's  
24 correct. As I had mentioned, there is a lower capital  
25 cost associated with the electrically heated units, and

1 there are -- the homebuilders have identified a number  
2 of challenges in terms of installing natural gas  
3 systems that affect their costs for construction.

4 MR. TOMAS MASI: And in terms of Hydro  
5 dealing with this increased saturation and growth with  
6 respect to electric space and water heat, Hydro is  
7 going to take an educational approach through the  
8 heating fuel choice initiative.

9 Is that correct?

10 MS. LOIS MORRISON: Our first stage of  
11 working with the -- with this market is to have an  
12 education approach. We've work -- we've been meeting  
13 with homebuilders and with developers in those regions,  
14 and along with advertising and educating consumers who  
15 are purchasing these homes.

16 We're also working with the Manitoba  
17 Real Estate Board and the Winnipeg Real Estate Board to  
18 try and educate the real estate agents who then sell  
19 these homes, and try to increase their understanding of  
20 what these cost considerations are.

21 And we are monitoring our progress, or  
22 will be monitoring our progress. I was going to  
23 mention that we're anxiously looking to see how the  
24 results of the 2014 survey come in at, because that  
25 will give us an indication of how -- whether or not

1 this -- we've had any traction in the market.

2                   We have had some preliminary anecdotal  
3 responses, where we've looked at a couple of key  
4 markets to see what the response has been. And we've  
5 seen some gradual increase in the number of gas  
6 installations coming in. So we're positive, we're  
7 cautiously positive, that we're seeing some movement in  
8 that area.

9                   If -- as we continue to move forward, if  
10 we're -- we will continue to monitor this and make  
11 adjustments.

12                   MR. TOMAS MASI: Thank you. But in  
13 terms of new home builds, Hydro must acknowledge that  
14 the decisions in terms of selecting the heating  
15 equipment is typically with the home builder.

16                   Is that correct?

17                   MS. LOIS MORRISON: That is correct.

18                   MR. TOMAS MASI: And would you agree  
19 that home builders' primary concern when selecting  
20 heating equipment is the upfront costs of that  
21 equipment?

22                   MS. LOIS MORRISON: That is correct,  
23 and the salability of their home.

24

25                   (BRIEF PAUSE)

1                   MR. TOMAS MASI:    In terms of Hydro's  
2 education campaign, does it include, or will it  
3 include, the upfront costs of each heating system?

4                   MS. LOIS MORRISON:    Our education  
5 campaign right now speaks to the -- the life cycle  
6 costing, which includes both the upfront cost of the  
7 unit plus the ongoing energy cost, and provides that  
8 information as a differential.

9                   MR. TOMAS MASI:    So does it separate  
10 the two (2) out as well, or just provides it in -- in  
11 one (1) bulk?

12                  MS. LOIS MORRISON:    We have a two (2)  
13 pronged approach. We have a number of advertisements  
14 or educational pieces that talk about the life cycle  
15 cost.

16                  But then we have an -- we have some of  
17 our advertising targeted specifically at the energy  
18 costs, because from a consumer's perspective, the --  
19 it's -- it -- we get their attention a lot quicker when  
20 we have billboards that state, Save up to twelve  
21 thousand dollars (\$12,000) by heating with gas.

22                  So -- which is looking at the -- the  
23 cost of heating over the life of that furnace, the  
24 energy cost savings over the life of that furnace.

25                  So we have a number of approaches and a

1 number of messages out in the marketplace that are  
2 communicating, both looking at the life cycle cost and  
3 looking at the energy cost savings by choosing gas over  
4 electricity.

5 MR. TOMAS MASI: Thank you.

6

7 (BRIEF PAUSE)

8

9 MR. TOMAS MASI: Just moving to late  
10 payment fees, does Hydro have any specific set of  
11 criteria in making decisions to waive late payment  
12 charges?

13

14 (BRIEF PAUSE)

15

16 MR. PAUL CHARD: We don't have specific  
17 criteria, no.

18 MR. TOMAS MASI: And Hydro would agree  
19 that it applies late charges against customers who are  
20 in arrears and may be otherwise struggling to pay their  
21 bills.

22 Is that correct?

23 MR. PAUL CHARD: In -- in some  
24 circumstances, yes.

25 MR. TOMAS MASI: And the late payment

1 fee is meant to provide an economic incentive for  
2 customers to pay their electricity bills in a timely  
3 manner.

4 Is that correct?

5 MR. PAUL CHARD: That's one (1) of the  
6 purposes of the fee, yes.

7 MR. TOMAS MASI: But Hydro's not aware  
8 of whether or not the late payment charge applied to  
9 customers' bills are effective at being an incentive  
10 for residential customers to pay their bills.

11 Is that correct?

12 MR. PAUL CHARD: For residential  
13 customers in general?

14 MR. TOMAS MASI: Yes.

15 MR. PAUL CHARD: I guess we -- we don't  
16 have a study or anything that would -- would say that,  
17 no.

18

19 (BRIEF PAUSE)

20

21 MR. TOMAS MASI: And Hydro's not aware  
22 of the costs of late payment on a per-bill or per-  
23 dollar of late payment basis.

24 Is that correct?

25 MR. PAUL CHARD: I'm not sure what --

1 can you rephrase the question?

2 MR. TOMAS MASI: Is Hydro aware of what  
3 the costs are of charging the late payment charge on --  
4 on customers' bills, what its costs are?

5 MR. PAUL CHARD: What the costs to  
6 Manitoba Hydro are?

7 MR. TOMAS MASI: Right.

8 THE CHAIRPERSON: I wonder if we could  
9 stand down for a few minutes, please? Just take a five  
10 (5) minutes --

11 MR. TOMAS MASI: Sure.

12 THE CHAIRPERSON: -- a quick five (5)  
13 minutes.

14

15 --- Upon recessing at 3:43 p.m.

16 --- Upon resuming at 3:49 p.m.

17

18 THE CHAIRPERSON: Mr. Masi, I think  
19 we're ready to resume the questioning.

20 MR. TOMAS MASI: Thank you, Mr. Chair.

21

22 CONTINUED BY MR. TOMAS MASI:

23 MR. TOMAS MASI: And just to clarify,  
24 I'm withdrawing the last question that I had made just  
25 before the break. Just one (1) follow-up question,

1    though.  Hydro only tracks when late payments are  
2    charged as opposed to when they're collected.

3                    Is that correct?

4                    MR. PAUL CHARD:  That is correct.

5

6                                   (BRIEF PAUSE)

7

8                    MR. TOMAS MASI:  If you could just turn  
9    to MMF Round 1, Question 45(m)?  Diana, it's at page  
10   214.  And if you can just scroll down into the -- to  
11   the next page?  Thank you.

12                   I'm hoping we can do this by way of an  
13   undertaking.  It would be a lot -- a lot quicker.  I'm  
14   hoping that someone can provide the average percentage  
15   for all of 2014 for the following customer sectors that  
16   are listed in the following charts, the residential  
17   customer sector, the First Nations customer sector, the  
18   residential Northern Manitoba customer segment, and  
19   then the residential rural.

20                   So I'm just looking for the average  
21   percentage of accounts in arrears for 2014.

22                   MR. PAUL CHARD:  I'm just checking,  
23   because I may actually have that with me.

24                   MR. TOMAS MASI:  Sure.

25                   MR. PAUL CHARD:  And if not, then we'll

1 do it as an undertaking.

2 MR. TOMAS MASI: Sure. I have  
3 calculated the percentages myself, but I figured  
4 it'd...

5

6 (BRIEF PAUSE)

7

8 MR. PAUL CHARD: So I can't seem to  
9 find them.

10 MR. TOMAS MASI: Okay. So -- so is  
11 that an undertaking you can provide?

12 MR. PAUL CHARD: Yeah, but I better get  
13 the -- the details again.

14 MR. TOMAS MASI: Sure, no problem. So  
15 the undertaking that I'm requesting is to provide the  
16 average percentage for all of 2014 of accounts in  
17 arrears for the following customer sectors: The  
18 residential customer segment, the First Nations  
19 residential customer segment, the residential Northern  
20 Manitoba customer segment, and the residential rural  
21 customer segment.

22 Is that acceptable?

23 MR. PAUL CHARD: Yes.

24

25 --- UNDERTAKING NO. 70: Manitoba Hydro to provide

1 the average percentage for  
2 all of 2014, of accounts in  
3 arrears for the residential  
4 customer segment, the First  
5 Nations residential  
6 customer segment, the  
7 residential Northern  
8 Manitoba customer segment,  
9 and the residential rural  
10 customer segment

11

12 MR. BRENT CZARNECKI: Mr. Masi, if  
13 you've done the math, if you want to put it on the  
14 record, maybe the easiest way we could do it is just --

15 MR. TOMAS MASI: Subject to check?

16 MR. BRENT CZARNECKI: Yeah.

17

18 CONTINUED BY MR. TOMAS MASI:

19 MR. TOMAS MASI: Sure, not a problem.  
20 So subject to check, can you confirm that the average  
21 percentage of accounts in arrears in the residential  
22 sector for all of 2014 is 12.2 percent?

23 MR. PAUL CHARD: Subject to check, yes.

24 MR. TOMAS MASI: And the same for  
25 residential First Nations, the average percentage of

1 accounts in arrears for that segment for all of 2014 is  
2 50 percent, subject to check?

3 MR. PAUL CHARD: Yes.

4 MR. TOMAS MASI: And subject to check,  
5 can you confirm that the average percentage of accounts  
6 in arrears in -- for the residential Northern Manitoba  
7 customer segment is 29.4 percent?

8 MR. PAUL CHARD: Yes.

9 MR. TOMAS MASI: And subject to check,  
10 can you confirm that the average percentage of accounts  
11 in arrears in the residential rural customer segment  
12 for all of 2014 is 17.9 percent?

13 MR. PAUL CHARD: Yes.

14 MR. TOMAS MASI: Thank you. And I'll  
15 ask for a similar undertaking -- Diana, if we could  
16 move to page 218. And this is a response to MMF Round  
17 1, Question 45(a). And again, just scroll down to the  
18 next page. Sorry, Diana, at page 220.

19 So again, I'm -- unless you want to do  
20 subject to check its -- I'll leave it up to you, in  
21 terms of -- I'm going to just ask for the average  
22 percentage of account -- active accounts that are more  
23 than ninety (90) days in arrears for a few of the  
24 customer segments.

25 Would you like me to do it subject to

1 check?

2 MR. PAUL CHARD: I believe that was  
3 filed as another IR. I believe you asked it in Round  
4 2, actually.

5 MR. TOMAS MASI: The average for 2014 -  
6 - sorry, for greater than ninety (90) days?

7 MR. PAUL CHARD: For greater than  
8 ninety (90) days, yes.

9 MR. TOMAS MASI: Okay.

10 MR. PAUL CHARD: For -- for each month  
11 I think you asked.

12 MR. TOMAS MASI: Actually, I think --  
13 is this not the one for each month, the one we're  
14 seeing here on the screen?

15 MR. PAUL CHARD: No, but you asked for  
16 ninety (90) days.

17 MR. TOMAS MASI: Right.

18 MR. PAUL CHARD: As a separate  
19 question. It's Round 2, number 9.

20

21 (BRIEF PAUSE)

22

23 MR. TOMAS MASI: Oh, I see.

24

25 (BRIEF PAUSE)

1 MR. TOMAS MASI: Thank you.

2 MR. PAUL CHARD: And if you want,  
3 that's the ones I actually have the annual averages  
4 for. So if you want 2014...

5 MR. TOMAS MASI: That would be great.  
6 Thank you.

7

8 (BRIEF PAUSE)

9

10 MR. PAUL CHARD: So your first one is  
11 all residential customers.

12 MR. TOMAS MASI: Yes.

13 MR. PAUL CHARD: Okay. So I'm sorry, I  
14 don't have that one.

15 MR. TOMAS MASI: Okay.

16 MR. PAUL CHARD: For First Nation  
17 residential customers, do you want all three (3) years,  
18 or just --

19 MR. TOMAS MASI: Just for 2014.

20 MR. PAUL CHARD: 2014 is 20.41 percent.

21 MR. TOMAS MASI: Thank you.

22 MR. PAUL CHARD: For all rural  
23 customers it's 5.6 percent. For Northern Manitoba it's  
24 11.6 percent. And is that all of them?

25 MR. TOMAS MASI: Sorry, this might be a

1 little bit different than the question I was originally  
2 asking.

3                   These charts represent the percent --  
4 percentage of certain customer groups as a percentage  
5 of all, right?

6                   MR. PAUL CHARD:     No.

7                   MR. TOMAS MASI:     Okay.

8                   MR. PAUL CHARD:     The --

9                   MR. TOMAS MASI:     Can you clarify what  
10 the --

11                   MR. PAUL CHARD:     So 9(a), if we can go  
12 to the next page, is First Nation residential customers  
13 in ninety (90) day arrears as a percentage of all First  
14 Nation customers.

15                   MR. TOMAS MASI:     Okay. Thank you.

16                   MR. PAUL CHARD:     And the other ones are  
17 similar.

18                   MR. TOMAS MASI:     Do you have the  
19 calculation for residence all electric?

20                   MR. PAUL CHARD:     I do. For all  
21 electric it's 3.5 percent -- or 3.6, I guess, rounded.

22                   MR. TOMAS MASI:     Thank you. Those are  
23 my questions, Mr. Chair. And thank you very much to  
24 the panel.

25                   THE CHAIRPERSON:   Thank you, Mr. Masi.

1 I'll turn the microphone over to you, Mr. Hombach.

2 MR. SVEN HOMBACH: Thank you, Mr.  
3 Chairman. Manitoba Hydro was kind enough to ask Mr.  
4 Cormie to come back so that I can address questions on  
5 the Curtailable Rate Program directly to him. I  
6 suggest we just stand down for a minute to allow him to  
7 get into position.

8 Before we do that though, I would like  
9 to advise all the parties that the presentation from  
10 Mr. Colton for tomorrow has been received by the Board,  
11 although paper copies are not available. It has been  
12 posted to the website. So anybody wishing to review  
13 that can access it. Thank you.

14 THE CHAIRPERSON: Mr. Cormie, I'd just  
15 invite you to sit over here. You know, just...

16 MR. DAVID CORMIE: Sure.

17

18 (BRIEF PAUSE)

19

20 MR. SVEN HOMBACH: Mr. Cormie, thank  
21 you for showing up here, and I appreciate that you're  
22 sitting in Mr. Williams's spot, so I -- I'm sure you're  
23 getting a change of perspective today.

24 MR. DAVID CORMIE: I'm not sure I'm  
25 agreeable with this, actually.

1 DAVID CORMIE, Previously Sworn

2

3 RE-DIRECT EXAMINATION BY MR. SVEN HOMBACH:

4 MR. SVEN HOMBACH: Mr. Kuczek and Mr.  
5 Czarnecki did an admirable job trying to replace you on  
6 these issues yesterday, but you are irreplaceable, so  
7 thank you for showing up.

8 Mr. Cormie, Manitoba Hydro is still  
9 seeking to finalize the proposed changes to the CRP  
10 that were approved only on an interim basis in Order  
11 43/'13, correct? Your microphone, sir.

12 MR. DAVID CORMIE: Yes, that is  
13 correct.

14 MR. SVEN HOMBACH: And that means  
15 reducing the cap for Options A and 'C' -- and Option R,  
16 and eliminating Options 'C' and CE entirely?

17 MR. DAVID CORMIE: Yes.

18 MR. SVEN HOMBACH: As I understand it,  
19 sir, there currently is one existing 'C' customer,  
20 which is identified as customer 3 in the CRP report?

21 MR. DAVID CORMIE: That's correct.

22 MR. SVEN HOMBACH: Has that customer  
23 agreed to the elimination of Option C, or is that  
24 customer just not given a choice?

25

1 (BRIEF PAUSE)

2

3 MR. DAVID CORMIE: I don't know what  
4 the views of customer C are. We are giving the  
5 customer the option of moving to 'A' but we haven't  
6 given them the option of staying in 'C.'

7 MR. SVEN HOMBACH: And -- and what  
8 you're seeking is still a one (1) year sunset clause  
9 from the time the Board approves the order.

10 Is that correct?

11 MR. DAVID CORMIE: Yes, that's correct.

12 MR. SVEN HOMBACH: Right. You were on  
13 the record earlier stating that the value of the CRP is  
14 now greatly diminished, but Manitoba Hydro indicated  
15 that there still is value.

16 Can you just elaborate exactly on what  
17 the residual value of that program to Manitoba Hydro  
18 is?

19 MR. DAVID CORMIE: There -- there's two  
20 (2) types of value. One is the ability to curtail load  
21 in emergencies, and there still is a capacity market in  
22 MISO but the demand charges that we're able to attract  
23 by selling our surplus capacity are only about 5  
24 percent of the value that we're paying the customer  
25 for. So we're not recovering the full value.

1                   And when we set up the program many  
2 years ago, we knew that the short-term capacity market  
3 would ebb and flow in terms of value. Some years the  
4 capacity, we would make a lot of money. In some years,  
5 the -- like this year where we wouldn't make a lot of  
6 money, and -- and in fact we were getting essentially  
7 no value.

8                   But it took customers -- we took -- it  
9 required customers to make a commitment. We needed to  
10 train them. We needed to get them involved in our  
11 processes, and -- and in emergencies they do bring  
12 value although they're --they're -- we're not getting  
13 the full payback in the opportunity markets -- in the -  
14 - in the short-term capacity markets.

15                   And so for that -- for that reason, and  
16 -- given that in the long run we feel that there is  
17 value, we -- we want to keep the customers that we  
18 have, but we don't believe that there's enough  
19 additional value to spend more to attract more  
20 customers into the program when the market is -- is  
21 very soft.

22                   And, you know, we know that the MISO  
23 market is going through a capacity reduction because of  
24 the retirement of coal plants, and maybe in four (4) or  
25 five (5) years the short-term capacity market will come

1 back. What we've indicated is that if -- if that does  
2 come back and we can recover the majority of our costs  
3 of having additional paper capacity, or pure capacity  
4 available to us, then at that time we would go and  
5 attract new customers.

6                   And but until we get to that point,  
7 we're -- we -- we think it's best just to wait for the  
8 market to rebound, and then if it -- and if it does  
9 then at that point if there are willing customers we  
10 could -- we could sign them up. But for now we don't  
11 want to sign up customers today that we know that is --  
12 is -- it -- it just doesn't make economic -- make  
13 economic sense.

14                   We're not capacity short from a system  
15 perspective, from a system planning. We -- we won't  
16 need system capacity till past 2030, so there's no need  
17 to contract for that now when -- when that need might  
18 be fifteen (15) or twenty (20) years away.

19                   MR. SVEN HOMBACH:   When -- in terms of  
20 the capacity, the fifteen (15) year Power Smart Plan  
21 that was filed during the NFAT last year and formed  
22 part of this application attributes about 146 megawatt  
23 of capacity to it.

24                   Does that number sound right to you?

25                   MR. DAVE CORMIE:   I'm not aware of that

1 number.

2 MR. SVEN HOMBACH: Perhaps if we could  
3 go to page 149 of Volume V of Board counsel's book of  
4 documents.

5

6 (BRIEF PAUSE)

7

8 MR. SVEN HOMBACH: And scroll down,  
9 please, a bit, Diana.

10 Sir, you see the -- the CRP is  
11 identified as providing about 146.2 megawatts of  
12 capacity in the Power Smart Plan. Are you currently --  
13 and by 'you', I'm referring to Manitoba Hydro.

14 Are you currently attributing any  
15 capacity to the CRP in the Power Resource Plan?

16 MR. DAVE CORMIE: No, we're not.

17 MR. SVEN HOMBACH: Okay. So last year  
18 you've only had two (2) customers that were actually  
19 paid money under the program, correct? That's op --  
20 that's customers 1 and 2?

21 MR. DAVE CORMIE: Yes.

22 MR. SVEN HOMBACH: Customer 1 would  
23 have received about 5.3 million, customer 2 would have  
24 received just over half a million?

25 MR. DAVE CORMIE: Yes.

1                   MR. SVEN HOMBACH:    Okay.  When you  
2 state that there might be some value, that there's some  
3 reliability benefit, is it then -- it's like wearing  
4 belts and suspenders, it's an additional layer of  
5 reliability on top, but you're not relying on it for  
6 planning purposes?

7

8                                   (BRIEF PAUSE)

9

10                   MR. DAVE CORMIE:    This is the issue of  
11 whether we contract early with a customer to provide a  
12 benefit to the system fifteen (15) years down the road.  
13 And we pay them -- we overpay them now with the  
14 expectation that there will be a significant value to  
15 the utility in -- sometime in the future.

16                                   In -- in those types of situations, for  
17 example, in the wind power purchase agreements we have  
18 with developers, we're assuming that those wind farms  
19 are going to last twenty-five (25), thirty (30) years.

20                                   And we're paying them a premium now  
21 above the market price of the energy in the expectation  
22 that we think the market price of energy will be higher  
23 than the value of the power purchase in the back end of  
24 the year.  So we're -- we're paying them up front.

25                                   What we do in those contracts is we have

1 performance bonds that require those customers to put  
2 up a -- an assurance that they will be there when  
3 Manitoba Hydro is -- is -- needs the benefits.

4                   This is the kind of assurance that we  
5 would need to have from curtailable rate customers. If  
6 we're buying them for capacity today and we don't need  
7 it for fifteen (15) years, why -- without that kind of  
8 financial assurance, we wouldn't enter into that kind  
9 of arrangements its -- it -- because that customer may  
10 go out of business.

11                   So we've paid him for fifteen (15)  
12 years, never achieved the benefit. And so unless we  
13 had that kind of contractual arrangement with a  
14 customer where they're locked in and they're committed,  
15 like we make our export customers commit, like we make  
16 our -- our purchase agreements with our wind developers  
17 commit, there -- they commit to be there for the term  
18 of the contract.

19                   Under -- under the arrangements that we  
20 have with our curtailable rate programs, they have no  
21 long-term commitment. They can leave at any time and  
22 walk away with the -- the upfront money that Manitoba  
23 Hydro's paying them on the assumption that they will be  
24 there in the future.

25                   If you had a large contingent of

1 customers, you know, a hundred (100) -- a hundred (100)  
2 customers, you could then start dealing with the class  
3 of customers as an average.

4                   But in this case, we only have several  
5 customers, and there's no commitment that -- on -- that  
6 two (2) customers will be here in twenty (20) years  
7 from now. We would -- we would be -- we would be  
8 financially exposed -- exposed to their remaining in  
9 business.

10                   And unless they're willing to give us  
11 that assurance, it's hard for us to start plan --  
12 counting on that as planning capacity and then paying -  
13 - starting to pay them today for a benefit that we  
14 don't need sometime down the road.

15                   So that's essentially the reason why we  
16 -- we're not counting on them for planning capacity.  
17 It's just too far down the road.

18                   MR. SVEN HOMBACH:   And you've been at  
19 this a lot longer than I have, Mr. Cormie, so maybe  
20 enlighten me.   In the past, did Manitoba Hydro treat  
21 the CRP as a capacity resource in the Power Resource  
22 Plan?

23                   MR. DAVE CORMIE:   Not -- not for  
24 planning capacity, no. We -- we've been able to use it  
25 when we've sold capacity into the -- into the MAP

1 (phonetic) market or -- or into the MISO market because  
2 we -- we -- to the extent that we have -- we're at risk  
3 -- we're only risk -- at risk for -- for one (1) year  
4 and we're pretty comfortable with those curtailable  
5 rate customers will be there for the next year.

6           There's nothing tells us that they're --  
7 that they're not going to be in business. But to  
8 assume now that they're going to be in business fifteen  
9 (15) or twenty (20) years from now, without some kind  
10 of guarantee, performance bond, so that we -- we don't  
11 -- financially we're held hold if they do leave, that  
12 would -- that would be a -- a change in our contracting  
13 practices.

14           MR. SVEN HOMBACH:    So is your concern,  
15 Mr. Cormie, that the customers won't be around anymore,  
16 or that the customer might be breaching the contract or  
17 terminating the agreement to -- to utilize the CRP?

18           MR. DAVID CORMIE:    Either. We -- to  
19 the extent that we're contracting for the capacity we  
20 want it to be there. And -- and if it's not there for  
21 some reason, I don't care what the reason is, it's not  
22 there, so how can -- how can you plan a power system  
23 against a resource that -- that may or may not be  
24 there.

25           They have -- they have the ability to

1 walk away at any moment in time.

2 MR. SVEN HOMBACH: But -- you weren't  
3 here for that, but Mr. Hacault tried to make that point  
4 earlier, if the customer itself is shutting down,  
5 doesn't that accomplish the same thing? You still have  
6 the capacity savings if the load isn't there anymore.

7 MR. DAVID CORMIE: Well, why -- why pay  
8 them anything though? Why pay them anything? If he's  
9 not going to be there and we don't need the capacity,  
10 then the capacity --

11 MR. SVEN HOMBACH: Well, I'm just  
12 trying to understand your reasons for -- for suggesting  
13 that you can't rely on the program from a systems  
14 planning perspective because you don't have the  
15 assurance down the road that the customer will still be  
16 utilizing the program or still be in existence?

17 MR. DAVID CORMIE: Yes, or  
18 participating in the program. Even if the customer is  
19 there and he cho -- chooses not to participate in the  
20 program, you know, it's of no value to us.

21 MR. SVEN HOMBACH: Have you given any  
22 thought to offering a long-term contract for the  
23 program as opposed to the current year over year  
24 contract?

25 MR. DAVID CORMIE: No, we haven't had

1 that discussion, no.

2 MR. SVEN HOMBACH: If we could turn to  
3 page 208 of Volume II of Board counsel's documents --  
4 book of documents for a minute.

5 Mr. Cormie, new generation will be  
6 required for capacity before it will be required for  
7 energy, will it not?

8 MR. DAVID CORMIE: No, we are capacity  
9 short first and cap -- we are energy short first and  
10 capacity short second.

11 MR. SVEN HOMBACH: Let's -- let's have  
12 a look at the chart on page 208. That's the no new  
13 resources scenario for capacity. And if we scroll to  
14 the very bottom of the page it indicates that a  
15 capacity shortage is expected to develop about  
16 2037/'38. Sorry, 2033/'34.

17 MR. DAVID CORMIE: Could you scroll --

18 MR. SVEN HOMBACH: Can you scroll to  
19 the bottom of the chart, please, Diana?

20 MR. DAVID CORMIE: Yes.

21 MR. SVEN HOMBACH: That's 2033/'34?

22 MR. DAVID CORMIE: Yes, it's not a  
23 persistent capacity deficit through.

24 MR. SVEN HOMBACH: Right, but isn't --  
25 doesn't the energy shortage only arise in 2038/'39, so

1 a number of years after?

2 MR. DAVID CORMIE: I can't -- I don't -  
3 - I don't have the energy table here to make that  
4 judgment.

5 MR. SVEN HOMBACH: All right. Let's  
6 perhaps go to the actual response and look at the table  
7 that says PUB/MH Information Request I-58, Attachment  
8 1.

9

10 (BRIEF PAUSE)

11

12 MR. SVEN HOMBACH: Let's go to page 18  
13 and...

14

15 (BRIEF PAUSE)

16

17 MR. SVEN HOMBACH: Let's go down two  
18 (2) pages. That's the...

19

20 (BRIEF PAUSE)

21

22 MR. SVEN HOMBACH: That is the chart  
23 looking at the energy requirements, correct?

24 MR. DAVID CORMIE: Yes, I see the  
25 persistent energy deficits are --

1 MR. SVEN HOMBACH: 2038/'39?

2 MR. DAVID CORMIE: -- an eleven (11),  
3 but I don't -- yeah, 2038/'39, yes.

4 MR. SVEN HOMBACH: Right. And that's  
5 in fact the first time there's an energy deficit, is it  
6 not?

7 MR. DAVID CORMIE: Yes, you're correct  
8 in this instant, yeah.

9 MR. SVEN HOMBACH: Has Manitoba Hydro  
10 considered the possibility of using the program to  
11 bridge that capacity gap as a means of deferring

12 generation? MR. DAVID CORMIE: Yes, if -- if these  
13 numbers are correct, I would suspect that at an  
14 appropriate time we could contract for that. Imagine a  
15 scenario, sir, where Manitoba Hydro was putting wind  
16 turbines in that don't provide capacity. You can match  
17 a wind turbine with a curtailable rate program and come  
18 up with a capacity and energy product; and, you know,  
19 that -- that clearly is a possibility.

20 MR. SVEN HOMBACH: But at this point,  
21 the Utility hasn't considered it or discussed it with  
22 any of the existing customers?

23 MR. DAVID CORMIE: No, it is a long way  
24 away.

25 MR. SVEN HOMBACH: Right. If --

1 appreciating that that might be an option, and I  
2 understand that you're not in a position to commit the  
3 Utility, do you still see it as appropriate to reduce  
4 the cap at this point in time?

5 MR. DAVID CORMIE: Yes, because we're  
6 not affecting existing customers because the existing  
7 customer C isn't participating. And we're not affect -  
8 - the other customers, we're not reducing their ability  
9 to participate. This is just about having -- reducing  
10 the ability for new customers to come to the table.

11 If -- if a new customer came to the  
12 table and said this is what -- the services he could  
13 offer, I'm sure we could work with him and find  
14 something that -- that would be mutually beneficial.  
15 But right now, it's -- it would only be to his benefit  
16 because he would get a reduced rate and Manitoba Hydro  
17 would be paying some -- for something that it has no  
18 value for in the short term.

19 MR. SVEN HOMBACH: Right.

20 MR. DAVID CORMIE: And -- and with this  
21 deficit -- these deficits being so far into the future,  
22 there's plenty of time down the road to deal with those  
23 capacity and energy issues much closer. We don't need  
24 -- there's no urgency to deal with them now.

25 MR. SVEN HOMBACH: And just to -- just

1 to clarify, Mr. Cormie, the existing contractual  
2 arrangement with customer 1 and customer 2, is it a one  
3 (1) year arrangement or is it a multi-year arrangement?

4

5 (BRIEF PAUSE)

6

7 MR. DAVID CORMIE: The -- there's no  
8 term associated with that participation, but they have  
9 the right to opt out within a year.

10 MR. SVEN HOMBACH: Thank you. If we go  
11 back to page 201 of Volume II of Board counsel's book  
12 of documents, it shows when Manitoba Hydro actually  
13 utilized the CRP over the last year.

14 And correct me if I'm wrong, Mr. Cormie,  
15 but option 'R' is the only option under which there was  
16 any actual curtailment?

17 MR. DAVID CORMIE: Yes, that is  
18 correct.

19 MR. SVEN HOMBACH: And that would be  
20 customer 1 because that's the only customer that's  
21 using that option?

22 MR. DAVID CORMIE: Yes.

23 MR. SVEN HOMBACH: Can you explain why  
24 there was no curtailment in the winter months, why  
25 those were specifically exempted?

1                   MR. DAVID CORMIE:   Well, you have to  
2 remember that the terms and conditions of the  
3 curtailment -- curtailable rate program, either option  
4 A or option R, is to respond to emergencies, to deal  
5 with re-establishing our contingency reserves following  
6 an emergency, but they're -- it's not available as a  
7 dispatchable resource.

8                   Prior to 2005, Manitoba Hydro had the  
9 right to call on them for economic dispatch purposes.  
10 But in 2005, in response to customer complaints that we  
11 were interrupting too often in order to take advantage  
12 of reducing per -- generation costs or taking advantage  
13 of -- of export market opportunities, we -- we re -- we  
14 restricted it only to the per -- only to the uses that  
15 are -- that are allowed now, which is for emergencies  
16 and for re-establishing our contingency reserves, or we  
17 developed the option R program, where it was -- could  
18 be used for -- as part of our ready reserves, but it --  
19 you -- you can't treat it as if it was a generator that  
20 you can dispatch.

21                   And in -- over the winter months, we had  
22 other alternatives, either by purchasing power or by  
23 running our own combustion turbines, but economics  
24 isn't one (1) of the criteria that will trigger the use  
25 of -- of the curtailable rate programs.

1           If it -- if it becomes economic, then  
2 the customer beco -- it gets interrupted too often and  
3 it -- and it -- it becomes very expensive for -- for  
4 him. If we were to interrupt the forty (40) times that  
5 we're -- that we're allowed to, that would be so  
6 disruptive the customer would withdraw from the  
7 program.

8           So rather than having the customer  
9 withdraw with the program, we made the terms and  
10 conditions more restrictive to limit the number of  
11 interruptions to a few in a year and not to the -- with  
12 the idea that if the emergencies happened forty (40)  
13 times, okay, the customer was satisfied that, but not  
14 to be routinely dispatched at the maximum year in and  
15 year out.

16           And so the -- the -- we would like -- we  
17 would like to be able to treat that because that's the  
18 way we could get much more value out of this, if we  
19 could dispatch it in -- rather than making a purchase  
20 or dispatching a generator, to make -- make it  
21 dispatchable based on economics. The customer didn't  
22 want that, and so the terms and conditions of the  
23 program restricted only for responding to emergency  
24 conditions. And that's -- and that's why there were no  
25 interruptions because we didn't have any emergencies

1 during the peak periods.

2 MR. SVEN HOMBACH: Right. And this  
3 again preceded my time, Mr. Cormie, so maybe explain  
4 this. The -- did the fees payable to the customers go  
5 down after 2005 when those changes were made?

6 MR. DAVID CORMIE: No, I believe we  
7 kept the formula the same. We just reduced the -- the  
8 frequency of the interruptions.

9 MR. SVEN HOMBACH: Has the Utility  
10 considered, or evaluated, the option of upping the  
11 charges in exchange for being able to actually treat it  
12 as a capacity resource, at least with respect to the  
13 existing customers?

14

15 (BRIEF PAUSE)

16

17 MR. DAVID CORMIE: In our discussions  
18 with several customers, we have explored that.  
19 Customers have indicated they would need an order of  
20 magnitude increase in the export price, so instead of  
21 being -- you know, averaging thirty dollars (\$30), it  
22 would have to be somewhere in the order of three  
23 hundred dollars (\$300) that we would be able -- in  
24 order for them to start recovering some of the  
25 disruption costs associated with frequent

1 interruptions.

2                   That doesn't mean that we can't have  
3 additional discussions with -- with customers who are  
4 more flexible, and -- and we've had those -- some of  
5 those discussions terminated after we figured out that  
6 it wasn't worth their while to participate in a market-  
7 based curtailment program.

8                   But we -- we are completely prepared to  
9 work with customers, and see if there are  
10 opportunities. Market prices are much less volatile  
11 than they were five (5), eight (8) years ago when power  
12 prices would be spiking all the time, and we could  
13 share the benefits of those price spikes with customers  
14 in a way that would compensate them.

15                   The volatility is not there now.  
16 Customers don't have a lot of interest because we can't  
17 pay them a lot in order to interrupt their load.  
18 Again, but we're prepared to talk and -- and see if  
19 there is a way to -- to work out for any specific --  
20 any specific customer a program that will provide  
21 mutual benefits.

22                   But it has to be mutual. It can't be  
23 just a subsidy. There has to be something in it for  
24 Manitoba Hydro.

25                   MR. SVEN HOMBACH:    Thank you, Mr.

1 Cormie. Those are all my questions.

2 MR. DAVID CORMIE: Thank you.

3

4 (BRIEF PAUSE)

5

6 THE CHAIRPERSON: Mr. Orle, do you have  
7 any questions of this -- of Mr. Cormie?

8 MR. GEORGE ORLE: No, I don't, Mr.  
9 Chairman. Thank you.

10 THE CHAIRPERSON: Mr. Masi, any  
11 questions at all?

12 MR. TOMAS MASI: No, thank you, Mr.  
13 Chairman.

14 THE CHAIRPERSON: With that, I think  
15 that we are -- we are done for today, and certainly  
16 done with this panel so I want to thank the members of  
17 the DSM panel. Thank you very much for your -- your  
18 contribution to this hearing, and the contribution  
19 before we started the hearing, the contribution during  
20 the hearing, and likely there might be some work after  
21 we finish the hearing days.

22 So -- so thank you very much for your  
23 contribution, and for your testimony. It's been very  
24 much appreciated. Very useful. Thank you.

25

1 (PANEL STANDS DOWN)

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3 --- Upon adjourning at 4:21 p.m.

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6 Certified correct,

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10 Sean Coleman, Mr.

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